

**City of Tallulah**  
**Tallulah, Louisiana**

**Annual Financial Report**  
**As of and for the Year Ended June 30, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

7/26/10

**CITY OF TALLULAH**  
**Tallulah, Louisiana**

**Annual Financial Report**

**As of and for the Year Ended June 30, 2009**

**Honorable Eddie Beckwith, Jr.**  
**Mayor**

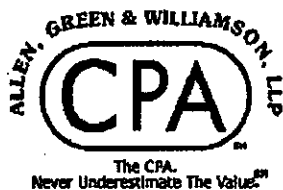
**Gerald Odom**  
**City Clerk**

**City of Tallulah  
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## INDEPENDENT AUDITORS' REPORT

Honorable Eddie Beckwith, Jr.,  
and Members of the City Council  
City of Tallulah  
Tallulah, Louisiana

We have audited the accompanying *financial statements* of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data of its component units. The City has not issued such reporting entity financial statements.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the City of Tallulah, as of June 30, 2009, or the changes in financial position thereof for the year then ended. The effects of the omission of the discretely presented component unit to the financial statements for the aggregate discretely presented component unit is not reasonably determinable.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Tallulah, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Also Located in Shreveport, Louisiana

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American Institute of Certified Public Accountants Division for CPA Firms,  
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In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules as listed in the table of contents, are not a required part of the *basic financial statements* but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the *financial statements* that collectively comprise the City's basic financial statements. The accompanying supplemental information identified in the table of contents, which includes the Financial Data Schedule required by HUD, are presented for purposes of additional analysis and are not a required part of the *basic financial statements*. Such information has been subjected to the auditing procedures applied in the audit of the *basic financial statements* and, in our opinion, is fairly stated in all material respects in relation to the *basic financial statements* taken as a whole. The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

  
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
June 15, 2010

**City of Tallulah**

**REQUIRED SUPPLEMENTAL INFORMATION:**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS (MD&A)**

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**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2009**

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Our discussion and analysis of the City of Tallulah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A

A copy of the audit report for Tallulah Housing Authority, a component unit of the City of Tallulah, may be obtained from the City Clerk of Tallulah at 204 North Cedar, Tallulah, LA 71282.

**FINANCIAL HIGHLIGHTS** Our financial statements provide these insights into the results of this year's operations:

Total governmental activities revenues received for June 30, 2009 were \$2,889,164. This is a decrease of \$434,891 or 13% change from the year ended June 30, 2008. This was due mainly to decreases in property tax, sales tax, and video poker revenue. Also, the City sold a track of land to the parish during the fiscal 2008 year which brought in proceeds exceeding \$100,000.

Governmental activities expenses for 2009 were \$3,252,373; this is an increase of \$327,686. Expenses increased from 2008 to 2009 mainly due to large repair and maintenance increases which included a massive rehabilitation of City Barn, installation of the City's internet system including servers and wifi, as well as the purchase of new accounting and payroll software with required training.

General and administrative expenses were \$115,239 more in 2009, police department expenses were \$25,692 less in 2009, fire department expenses were \$46,960 more in 2009, and street department expenses were \$141,454 more in 2009.

Total revenues received through business activities for June 30, 2009 was \$2,469,382, this is a decrease of \$799,375, or 24% between 2008 and 2009. Revenues decreased mainly because the large sewer rehabilitation project was nearing completion, and thus funding was accordingly reduced.

Business activities expenses for 2009 were \$2,936,929 which is a decrease of \$430,548 or 13% between 2008 and 2009. Expenses decreased because the sewer rehabilitation project was nearing completion, and less funds were needed in the process.

For the year ended June 30, 2009, the General Fund reported \$2,342,747 in revenues, an increase of \$80,048 or 4% from revenues received for the year ended June 30, 2008. The increase is due mainly to increases in state grant revenues, as well as increases in franchise fees.

Expenditures in the general fund increased \$103,365 from the year ended June 30, 2008 to June 30, 2009. In 2008, the City reported \$2,905,567 in expenditures for the General Fund and \$3,008,932 in expenditures for 2009. This change represents a 4% increase from 2008 to 2009. This increase in expenditures was due to large increases in repair and maintenance spending on projects that were long overdue such as street and drainage repair. The mosquito abatement program also added to the increase.



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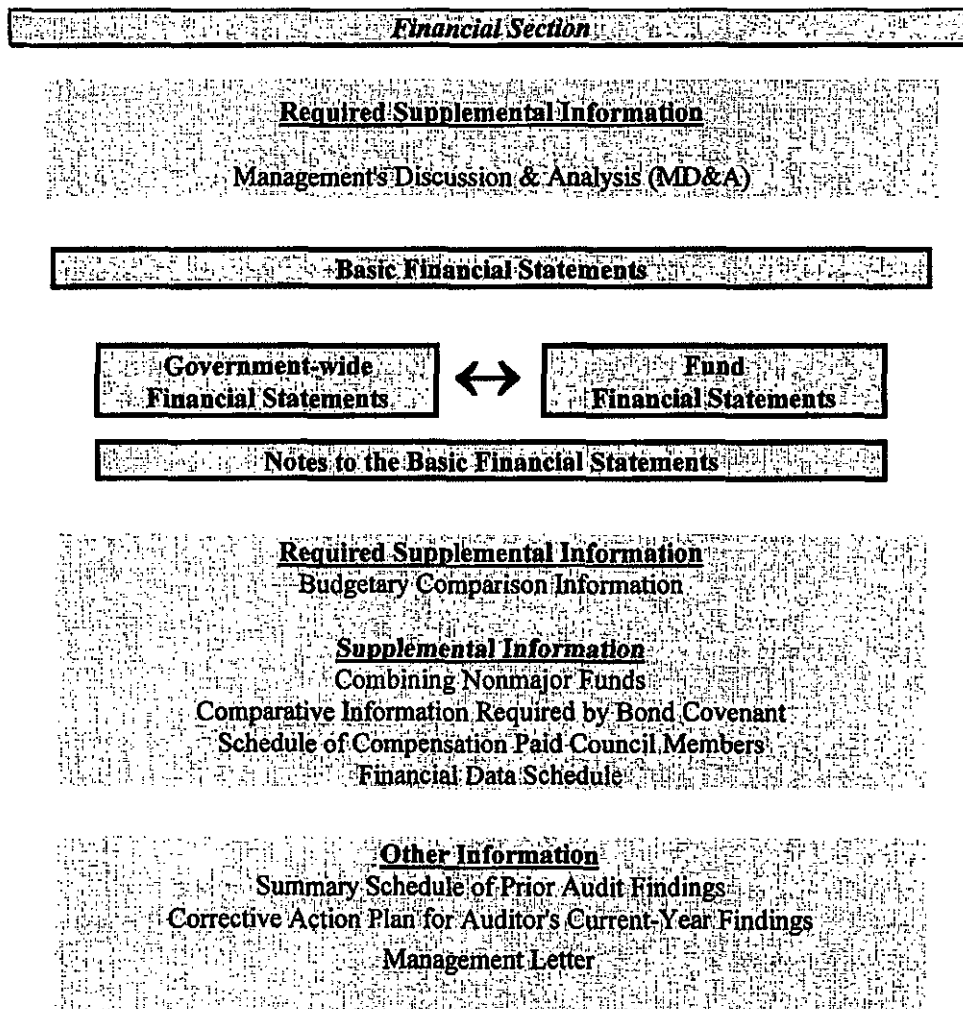
**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2009**

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**USING THIS ANNUAL REPORT**

The City's annual report consists of a series of financial statements that show information for the City as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the City's overall financial health. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund, the 1998 Public Improvement Bonds funds, and Section 8 fund.

The following chart reflects the information included in this annual report.



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**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2009**

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Our auditor has provided assurance in the independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, the Supplemental Information, and Other Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

### **Reporting the City as a Whole**

#### ***The Statement of Net Assets and the Statement of Activities***

Our analysis of the City as a whole begins with the government-wide financial statements. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information about the City as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets as reported in the Statement of Activities are one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses is the City's *operating results*. However, the City's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other non-financial factors, such as the quality of police and fire protection, the conditions of the City's roads, and the quality of water, sewer and sanitation systems to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

**Governmental Activities** - Most of the City's basic services are reported here, including the police, fire, street and general administration. Property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

**Business-type Activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and sanitation systems are reported here.

### **Reporting the City's Most Significant Funds**

#### ***Fund Financial Statements***

The City's fund financial statements provide detailed information about the most significant funds but not the City as a whole. Some funds are required to be established by State law. However, the City establishes other funds to help it control and manage money for particular purposes (like the capital project fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - use different accounting approaches:

**Governmental funds** - Governmental fund reporting focuses on showing how money flows into and out of funds and

**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2009**

the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliations (Statements D and F).

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's utility enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### THE CITY AS A WHOLE

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**Net Assets**  
**June 30, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>ASSETS</b>						
Current and other assets	\$ 742,487	\$ 894,514	\$ 603,556	\$ 1,175,934	\$ 1,346,043	\$ 2,070,448
Restricted assets	510,736	650,757	188,495	10,320	699,231	661,077
Capital assets	1,360,761	1,392,945	20,481,117	21,201,106	21,841,878	22,594,051
Total assets	<u>2,613,984</u>	<u>2,938,216</u>	<u>21,273,168</u>	<u>22,387,360</u>	<u>23,887,152</u>	<u>25,325,576</u>
<b>LIABILITIES</b>						
Current and other liabilities	197,530	154,266	429,526	139,785	627,056	294,051
Long-term liabilities	556,613	975,906	12,992,936	13,273,349	13,549,549	14,249,255
Total liabilities	<u>754,143</u>	<u>1,130,172</u>	<u>13,422,462</u>	<u>13,413,134</u>	<u>14,176,605</u>	<u>14,543,306</u>
<b>NET ASSETS</b>						
Invested in capital assets,						
net of debt	888,280	516,637	7,488,181	7,927,757	8,376,461	8,444,394
Restricted	44,815	-	-	10,320	44,815	10,320
Unrestricted	926,746	1,291,407	362,525	1,036,149	1,289,271	2,327,556
Total net assets	<u>\$1,859,841</u>	<u>\$1,808,044</u>	<u>\$ 7,850,706</u>	<u>\$ 8,974,226</u>	<u>\$ 9,710,547</u>	<u>\$10,782,270</u>

Net assets of the City's governmental activities for June 30, 2009 were \$1,859,841. Unrestricted net assets that are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$926,746.

The net assets of our business-type activities for June 30, 2009 were \$7,850,706.

**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2009**

**Table 2**  
**Changes in Net Assets**  
**For the Years Ended June 30, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 93,499	\$ 121,792	\$ 2,294,191	\$ 2,479,320	\$ 2,387,690	\$ 2,601,112
Operating grants and contributions	459,552	311,682	-	-	459,552	311,682
Capital grants and contributions	3,001	358,531	172,499	605,430	175,500	963,961
General revenues						
Property taxes	493,620	566,459	-	-	493,620	566,459
Sales tax	1,165,529	1,212,912	-	-	1,165,529	1,212,912
Other taxes, penalties	307,310	221,830	-	-	307,310	221,830
License and permits	85,594	168,279	-	-	85,594	168,279
Grants and contributions not restricted to a program	130,811	134,405	-	-	130,811	134,405
Earnings on investments	20,000	28,533	2,692	184,007	22,692	212,540
Miscellaneous	130,248	199,632	-	-	130,248	199,632
<b>Total Revenues</b>	<b>2,889,164</b>	<b>3,324,055</b>	<b>2,469,382</b>	<b>3,268,757</b>	<b>5,358,546</b>	<b>6,592,812</b>
<b>Functions/Program Expenses:</b>						
Governmental Activities						
General and administrative	762,845	647,606	-	-	762,845	647,606
Police Department	661,646	687,338	-	-	661,646	687,338
Fire Department	490,942	443,982	-	-	490,942	443,982
Street Department	941,986	800,532	-	-	941,986	800,532
Health & Welfare	158,660	138,652	-	-	158,660	138,652
Culture and recreation	113,530	84,977	-	-	113,530	84,977
Legislative	8,123	34,180	-	-	8,123	34,180
Transportation	67,314	34,354	-	-	67,314	34,354
Interest expense	47,327	53,066	-	-	47,327	53,066
Business-type Activities						
Water Enterprise	-	-	2,072,040	2,382,027	2,072,040	2,382,027
Utility Enterprise	-	-	864,889	985,450	864,889	985,450
<b>Total Functions/Program Expenses</b>	<b>3,252,373</b>	<b>2,924,687</b>	<b>2,936,929</b>	<b>3,367,477</b>	<b>6,189,302</b>	<b>6,292,164</b>
<b>Increase (decrease) in net assets before transfers</b>	<b>(363,209)</b>	<b>399,368</b>	<b>(467,547)</b>	<b>(98,720)</b>	<b>(830,756)</b>	<b>300,648</b>
<b>Transfers</b>	<b>415,006</b>	<b>(17,466)</b>	<b>(415,006)</b>	<b>17,466</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>51,797</b>	<b>381,902</b>	<b>(882,553)</b>	<b>(81,254)</b>	<b>(830,756)</b>	<b>300,648</b>
<b>Net assets – beginning, as originally stated</b>	<b>1,808,044</b>	<b>1,316,263</b>	<b>8,974,226</b>	<b>8,978,481</b>	<b>10,782,270</b>	<b>10,294,744</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>109,879</b>	<b>(240,967)</b>	<b>76,999</b>	<b>(240,967)</b>	<b>186,878</b>
<b>Net assets – beginning, as restated</b>	<b>1,808,044</b>	<b>1,426,142</b>	<b>8,733,259</b>	<b>9,055,480</b>	<b>10,541,303</b>	<b>10,481,622</b>
<b>Net assets, ending</b>	<b>\$ 1,859,841</b>	<b>\$ 1,808,044</b>	<b>\$ 7,850,706</b>	<b>\$ 8,974,226</b>	<b>\$ 9,710,547</b>	<b>\$ 10,782,270</b>

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**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2009**

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***Governmental Activities***

The cost of all governmental activities this year was \$3,252,373. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,696,321 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

Table 3 presents the cost of each of the City's governmental activities as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**  
**For the Years Ended June 30, 2009 and 2008**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Governmental Activities</b>				
General and administrative	\$ 762,845	\$ 647,606	\$ 664,530	\$ 605,036
Police Department	661,646	687,338	512,267	565,546
Fire Department	490,942	443,982	430,325	410,056
Street Department	941,986	800,532	938,985	442,001
Health and welfare	158,660	138,652	4,862	(17,034)
Culture and recreation	113,530	84,977	56,883	5,477
Legislative	8,123	34,180	8,123	34,180
Transportation	67,314	34,354	33,019	34,354
Interest expense	47,327	53,066	47,327	53,066
<b>Total Functions/Program Expenses</b>	<u><u>\$ 3,252,373</u></u>	<u><u>\$2,924,687</u></u>	<u><u>\$ 2,696,321</u></u>	<u><u>\$2,132,682</u></u>

***Business-type Activities***

Revenue of the City's business-type activities (see Table 2) for June 30, 2009 was \$2,469,382.

As stated previously, revenues of the City's business-type activities for June 30, 2009 was \$2,469,382; this is a decrease of \$799,375 from 2008 to 2009. Expenses for the year ended June 30, 2009 were \$2,936,929 for the City's business-type activities which decreased \$430,548 from 2008 to 2009.

Business-type activities had a decrease in net assets of \$882,553 from 2008 to 2009, before the prior period adjustment which decreased net assets for an additional amount of \$240,967.

**THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a combined fund balance of \$1,055,693, which is a decrease of \$335,312 in fund balance from last year. The general fund had a decrease in fund balance of \$244,870 due mainly to increased spending in the street department on repair and maintenance as well as upgrades in accounting and payroll software, required training expense, and equipment purchases.

**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2009**

The 1998 Public Improvement Board had an increase in fund balance of \$1,492. The Section 8 fund had a decrease in fund balance of \$2,537. The other government funds had a decrease of \$89,397 due mainly to increased activities resulting in increased expenses.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were \$40,146 more than budgeted revenues. This favorable variance was due to transfers in from other funds.

Overall actual expenditures were \$285,016 more than budgeted expenditures. The Police Department, the Fire Department, the Street Department, and Transportation exceeded their budget amounts \$461,117, \$414,860, \$610,954, and \$45,714, respectively. Principal and interest expenses exceeded budgeted amounts by \$93,598 and \$15,976, respectively. These unfavorable variances were due to the purchase of 5 police patrol vehicles, rehabilitation of City Barn, increased spending on street improvements, and the pay-off of the City's industrial building. Interest expense was due primarily on the balance owed on the City's industrial building before the debt was retired.

The City did not have any changes between the original and final budgets.

**CAPITAL ASSETS**

At June 30, 2009 and 2008, the City had invested in the following capital assets:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 78,500	\$ 78,500	\$ 678,330	\$ 678,330	\$ 756,830	\$ 756,830
Construction in progress	-	23,500	3,000	5,232,770	3,000	5,256,270
Infrastructure	575,255	575,255	-	-	575,255	575,255
Buildings improvements	2,600,420	2,578,437	-	-	2,600,420	2,578,437
Furniture and equipment	1,405,582	1,311,149	934,515	929,535	2,340,097	2,240,684
Plant	-	-	9,900,494	9,900,494	9,900,494	9,900,494
Transmission lines	-	-	8,403,026	2,986,914	8,403,026	2,986,914
Water systems	-	-	8,313,952	8,313,952	8,313,952	8,313,952
Pumping stations	-	-	337,944	337,944	337,944	337,944
Total capital assets	<u>4,659,757</u>	<u>4,566,841</u>	<u>28,571,261</u>	<u>28,379,939</u>	<u>33,231,018</u>	<u>32,946,780</u>
Accumulated depreciation	<u>3,298,996</u>	<u>3,173,896</u>	<u>8,090,144</u>	<u>7,178,833</u>	<u>11,389,140</u>	<u>10,352,729</u>
Net capital assets	<u>\$ 1,360,761</u>	<u>\$ 1,392,945</u>	<u>\$ 20,481,117</u>	<u>\$ 21,201,106</u>	<u>\$ 21,841,878</u>	<u>\$ 22,594,051</u>

Additional information regarding capital assets can be found in Note 7 of the Notes to the Basic Financial Statements.

**DEBT ADMINISTRATION** At June 30, 2009, the City had bonds outstanding of \$472,481 - in which Governmental Funds make the required payments. Governmental Funds also make payments for other debt which comprises \$84,132 for the Municipal Police Retirement System Merger. Enterprise Funds had outstanding bonds and loans of \$10,789,027 at June 30, 2009. Proceeds were used for the rehabilitation of the City's Water System and Sewer System. Also, the Enterprise Funds have capital leases of \$2,203,909 for equipment. Additional information regarding long-term debt can be found in Note 12 of the Notes to the Basic Financial Statements.

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**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2009**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS** Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our ad valorem and sales tax collections. Approximately, 60% of total revenues in the general fund are from ad valorem and sales tax collections. We have budgeted very little change in franchise and ad valorem tax revenues for the year ending June 30, 2010.

**ADDITIONAL INFORMATION** For additional information contact Gerald Odom, City Clerk, City of Tallulah, 204 North Cedar Street, Tallulah, LA 71282 or by telephone at (318) 574-0964.

**City of Tallulah**

**BASIC FINANCIAL STATEMENTS:**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**



**CITY OF TALLULAH**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

**Statement A**

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 323,364	\$ 388,618	\$ 709,982
Receivables (net)	339,253	296,808	636,061
Internal balances	79,870	(79,870)	0
Restricted assets			
Cash and cash equivalents	0	188,495	188,495
Investments	510,736	0	510,736
Capital assets			
Land and construction in progress	78,500	681,330	759,830
Depreciable assets, net of depreciation	<u>1,282,261</u>	<u>19,799,787</u>	<u>21,082,048</u>
<b>TOTAL ASSETS</b>	<u>2,613,984</u>	<u>21,273,168</u>	<u>23,887,152</u>
<b>LIABILITIES</b>			
Accounts, salaries and other payables	197,530	143,143	340,673
Interest payable	0	97,888	97,888
Payable from restricted assets - deposits	0	188,495	188,495
Long term liabilities			
Due within one year	323,083	259,777	582,860
Due in more than one year	<u>233,530</u>	<u>12,733,159</u>	<u>12,966,689</u>
<b>TOTAL LIABILITIES</b>	<u>754,143</u>	<u>13,422,462</u>	<u>14,176,605</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	888,280	7,488,181	8,376,461
Restricted for HAP	44,815	0	44,815
Unrestricted	<u>926,746</u>	<u>362,525</u>	<u>1,289,271</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,859,841</u>	<u>\$ 7,850,706</u>	<u>\$ 9,710,547</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CITY OF TALLULAH**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General and administrative	\$ 762,845	\$ 0	\$ 98,315	\$ 0
Police Department	661,646	93,499	55,880	
Fire Department	490,942		60,617	
Street Department	941,986			3,001
Health and welfare	158,660		153,798	
Culture and recreation	113,530		56,647	
Legislative	8,123			
Transportation	67,314		34,295	
Interest expense	47,327			
Total Governmental Activities	3,252,373	93,499	459,552	3,001
Business-Type Activities:				
Water activities	2,072,040	1,499,871	0	0
Sewer activities	864,889	794,320	0	172,499
Total Business-Type Activities	2,936,929	2,294,191	0	172,499
Total	\$ 6,189,302	\$ 2,387,690	\$ 459,552	\$ 175,500

General revenues:

Taxes:

Property taxes

Sales tax revenue

Other taxes, penalties

Licenses and permits

Grants and contributions not restricted to a specific program

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning, as originally stated

Prior period adjustment

Net assets - beginning, as restated

Net assets - ending

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## Statement B

PRIMARY GOVERNMENTNET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>TOTAL</u>
\$ (664,530)	\$ 0	\$ (664,530)
(512,267)		(512,267)
(430,325)		(430,325)
(938,985)		(938,985)
(4,862)		(4,862)
(56,883)		(56,883)
(8,123)		(8,123)
(33,019)		(33,019)
(47,327)		(47,327)
<u>(2,696,321)</u>	<u>0</u>	<u>(2,696,321)</u>
	(572,169)	(572,169)
	101,930	101,930
<u>0</u>	<u>(470,239)</u>	<u>(470,239)</u>
<u>(2,696,321)</u>	<u>(470,239)</u>	<u>(3,166,560)</u>
493,620		493,620
1,165,529		1,165,529
307,310		307,310
85,594		85,594
130,811		130,811
20,000	2,692	22,692
130,248	0	130,248
415,006	(415,006)	0
<u>2,748,118</u>	<u>(412,314)</u>	<u>2,335,804</u>
<u>51,797</u>	<u>(882,553)</u>	<u>(830,756)</u>
1,808,044	8,974,226	10,782,270
<u>0</u>	<u>(240,967)</u>	<u>(240,967)</u>
<u>1,808,044</u>	<u>8,733,259</u>	<u>10,541,303</u>
<u>\$ 1,859,841</u>	<u>\$ 7,850,706</u>	<u>\$ 9,710,547</u>

**City of Tallulah**

**BASIC FINANCIAL STATEMENTS:**

**FUND FINANCIAL STATEMENTS (FFS)**

**CITY OF TALLULAH**  
**GOVERNMENTAL FUNDS**  
**Balance Sheet**  
**June 30, 2009**

Statement C

	1998				
	PUBLIC				
	IMPROVEMENT		OTHER		
	GENERAL	BONDS	SECTION 8	GOVERNMENTAL	TOTAL
<b>ASSETS</b>					
Cash and cash equivalents	\$ 59,674	\$ 0	\$ 139,035	\$ 124,655	\$ 323,364
Receivables	339,253	0	0	0	339,253
Interfund receivables	84,107	0	19,303	38,966	142,376
Restricted assets					
Investments	0	510,736	0	0	510,736
<b>TOTAL ASSETS</b>	<b>483,034</b>	<b>510,736</b>	<b>158,338</b>	<b>163,621</b>	<b>1,315,729</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts, salaries and other payables	179,070	0	18,460	0	197,530
Interfund payables	44,318	13,951	0	4,237	62,506
<b>TOTAL LIABILITIES</b>	<b>223,388</b>	<b>13,951</b>	<b>18,460</b>	<b>4,237</b>	<b>260,036</b>
<b>FUND BALANCES:</b>					
Reserved for Debt Service	0	496,785	0	73,160	569,945
Reserved for HAP	0	0	44,815	0	44,815
Unreserved and undesignated	259,646	0	95,063	86,224	440,933
<b>TOTAL FUND BALANCES</b>	<b>259,646</b>	<b>496,785</b>	<b>139,878</b>	<b>159,384</b>	<b>1,055,693</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 483,034</b>	<b>\$ 510,736</b>	<b>\$ 158,338</b>	<b>\$ 163,621</b>	<b>\$ 1,315,729</b>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CITY OF TALLULAH**

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Assets  
June 30, 2009**

**Statement D**

Total fund balances - governmental funds \$ 1,055,693

The cost of capital assets (land, buildings, furniture and equipment and infrastructure ) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	4,659,757	
Depreciation expense to date	<u>(3,298,996)</u>	
		1,360,761

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Assets.

Balances at June 30, 2009 are:

Bonds payable	(472,481)	
Other long-term debt	<u>(84,132)</u>	
		<u>(556,613)</u>

Net Assets - Governmental Activities \$ 1,859,841

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CITY OF TALLULAH**  
**GOVERNMENTAL FUNDS**  
**Combined Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended June 30, 2009**

	1998				Statement E
	PUBLIC		OTHER		
	GENERAL	IMPROVEMENT BONDS	SECTION 8	GOVERNMENTAL	TOTAL
<b>REVENUES</b>					
Local sources:					
Taxes					
Ad valorem	\$ 382,868	\$ 0	\$ 0	\$ 110,952	\$ 493,820
Sales	904,415	261,114	0	0	1,165,529
Other taxes, penalties and interest	307,310	0	0	0	307,310
Licenses and permits	85,594	0	0	0	85,594
Intergovernmental revenues	436,565	0	153,798	3,001	593,364
Rental income	6,265	0	0	0	6,265
Use of money and property	4,349	4,613	907	10,131	20,000
Fines and forfeitures	93,499	0	0	0	93,499
Miscellaneous revenues	122,082	0	1,418	483	123,983
Total revenues	<u>2,342,747</u>	<u>265,727</u>	<u>156,123</u>	<u>124,567</u>	<u>2,889,164</u>
<b>EXPENDITURES</b>					
Current:					
General and administrative	756,011	232	0	0	756,243
Police Department	637,877	0	0	0	637,877
Fire Department	450,910	0	0	0	450,910
Street Department	722,954	0	0	170,243	893,197
Health and welfare	0	0	158,660	0	158,660
Culture and recreation	106,024	0	0	0	106,024
Legislative	8,123	0	0	0	8,123
Transportation	67,314	0	0	0	67,314
Other	0	0	0	81	81
Capital outlay	77,240	0	0	17,193	94,433
Debt service:					
Principal retirement	166,503	245,000	0	7,790	419,293
Interest and bank charges	15,976	19,003	0	12,348	47,327
Total expenditures	<u>3,008,932</u>	<u>264,235</u>	<u>158,660</u>	<u>207,655</u>	<u>3,639,482</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>					
	<u>\$ (666,185)</u>	<u>\$ 1,492</u>	<u>\$ (2,537)</u>	<u>\$ (83,088)</u>	<u>\$ (750,318)</u>

(Continued)

**CITY OF TALLULAH**

**GOVERNMENTAL FUNDS  
Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 2009**

	1998				Statement E
	PUBLIC IMPROVEMENT			OTHER	
	GENERAL	BONDS	SECTION 8	GOVERNMENTAL	TOTAL
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 439,011	\$ 0	\$ 0	\$ 293	\$ 439,304
Transfers out	(17,696)	0	0	(6,602)	(24,298)
TOTAL OTHER FINANCING SOURCES	421,315	0	0	(6,309)	415,006
NET CHANGE IN FUND BALANCES	(244,870)	1,492	(2,537)	(89,397)	(335,312)
FUND BALANCES - BEGINNING	504,516	495,293	142,415	248,781	1,391,005
FUND BALANCES - ENDING	\$ 259,646	\$ 496,785	\$ 139,878	\$ 159,384	\$ 1,055,693

(Concluded)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**CITY OF TALLULAH**

**Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2009**

**Statement F**

Total net change in fund balances - governmental funds \$ (335,312)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 94,433	
Depreciation	(125,100)	(30,667)

Loss on disposal of capital assets (1,517)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 419,293

Change in net assets of governmental activities. \$ 51,797

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**Statements of Net Assets**  
**June 30, 2009**

Statement G

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$ 320,523	\$ 66,095	\$ 386,618
Receivables	188,266	108,542	296,808
Interfund receivables	0	2,576	2,576
<b>Restricted Assets:</b>			
Cash and cash equivalents	<u>188,495</u>	<u>0</u>	<u>188,495</u>
Total Current Assets	697,284	177,213	874,497
<b>Non Current Assets</b>			
<b>Capital Assets</b>			
Land and construction in progress	65,451	615,879	681,330
Depreciable assets, net of depreciation	<u>8,395,640</u>	<u>11,404,147</u>	<u>19,799,787</u>
Total Non Current Assets	<u>8,461,091</u>	<u>12,020,026</u>	<u>20,481,117</u>
<b>TOTAL ASSETS</b>	<u>9,158,375</u>	<u>12,197,239</u>	<u>21,355,614</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts, salaries and other payable	107,744	35,399	143,143
Interfund payables	13,877	68,569	82,446
Interest payable	87,020	10,868	97,888
Payable from restricted assets - customer deposits	188,495	0	188,495
Revenue bonds payable (net of deferred bond costs) - current	113,920	0	113,920
Loans payable - current	44,363	35,005	79,368
Capital leases payable - current	<u>55,097</u>	<u>11,392</u>	<u>66,489</u>
Total Current Liabilities	<u>\$ 610,516</u>	<u>\$ 161,233</u>	<u>\$ 771,749</u>

(CONTINUED)

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**Statements of Net Assets**  
**June 30, 2009**

Statement G

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<b>Noncurrent Liabilities</b>			
Revenue bonds payable (net of deferred bond costs)	\$ 4,960,160	\$ 0	\$ 4,960,160
Loans payable	2,566,987	3,068,592	5,635,579
Capital leases payable	<u>2,137,420</u>	<u>0</u>	<u>2,137,420</u>
 Total Noncurrent Liabilities	 <u>9,664,567</u>	 <u>3,068,592</u>	 <u>12,733,159</u>
 TOTAL LIABILITIES	 <u>10,275,083</u>	 <u>3,229,825</u>	 <u>13,504,908</u>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(1,416,856)	8,905,037	7,488,181
Unrestricted	<u>300,148</u>	<u>62,377</u>	<u>362,525</u>
 TOTAL NET ASSETS	 <u>\$ (1,116,708)</u>	 <u>\$ 8,967,414</u>	 <u>\$ 7,850,706</u>

(CONCLUDED)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## CITY OF TALLULAH

## PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statements of Revenues, Expenses,  
and Changes in Fund Net Assets  
For the Year Ended June 30, 2009

Statement H

	WATER FUND	SEWER FUND	TOTAL
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,476,896	\$ 768,465	\$ 2,245,361
Other operating revenue	22,975	25,855	48,830
Total operating revenues	1,499,871	794,320	2,294,191
<b>OPERATING EXPENSES</b>			
Personal services	328,767	190,410	519,177
Supplies	198,228	39,890	238,118
Maintenance	39,964	42,240	82,204
Utilities	124,238	80,927	205,165
Miscellaneous	44,245	53,637	97,882
Uniforms	3,808	3,188	6,996
Insurance	16,011	46,108	62,119
Accounting fees	8,000	0	8,000
Depreciation	651,209	260,102	911,311
Total operating expenses	1,414,470	716,502	2,130,972
<b>OPERATING INCOME (Loss)</b>	85,401	77,818	163,219
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grant revenue	0	172,499	172,499
Interest income	2,381	311	2,692
Interest expense & Other charges	(841,487)	(148,387)	(789,874)
Amortization of bond issue costs	(16,083)	0	(16,083)
Total nonoperating revenues (expenses)	(855,189)	24,423	(830,766)
<b>NET INCOME (Loss)</b>	(569,788)	102,241	(467,547)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	0	181,973	181,973
Transfers out	(596,979)	0	(596,979)
Total Other Financing Sources (Uses)	(596,979)	181,973	(415,006)
<b>NET CHANGE IN FUND BALANCES</b>	(1,166,767)	284,214	(882,553)
<b>NET ASSETS - BEGINNING, AS ORIGINALLY STATED</b>	226,372	8,747,854	8,974,226
<b>PRIOR PERIOD ADJUSTMENT</b>	(176,313)	(64,654)	(240,967)
<b>NET ASSETS - BEGINNING, AS RESTATED</b>	50,059	8,683,200	8,733,259
<b>NET ASSETS - END OF YEAR</b>	\$ (1,116,708)	\$ 8,967,414	\$ 7,850,706

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## CITY OF TALLULAH

**PROPRIETARY FUND TYPE- ENTERPRISE FUNDS**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2009**

## Statement I

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,483,362	\$ 754,482	\$ 2,237,844
Payments to employees	(268,946)	(146,431)	(415,377)
Payments to others	(426,286)	(549,916)	(976,202)
Other receipts	461,986	25,855	487,841
Net cash provided (used) for operating activities	<u>1,250,116</u>	<u>83,990</u>	<u>1,334,106</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Sale of investments	796	0	796
Earnings on investments	2,381	311	2,692
Net cash provided (used) for investing activities	<u>3,177</u>	<u>311</u>	<u>3,488</u>
<b>CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	0	181,973	181,973
Transfers out	(596,979)	0	(596,979)
Net cash provided (used) for noncapital financing activities	<u>(596,979)</u>	<u>181,973</u>	<u>(415,006)</u>
<b>CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Grant receipts	0	172,499	172,499
Acquisition of capital assets	(4,980)	(186,342)	(191,322)
Principal payment bonds	(247,484)	(49,012)	(296,496)
Interest paid on bonds	(554,467)	(137,519)	(691,986)
Net cash provided (used) for capital and related financing activities	<u>(806,931)</u>	<u>(200,374)</u>	<u>(1,007,305)</u>
Net increase (decrease) in cash and cash equivalents	(150,617)	65,900	(84,717)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>659,635</u>	<u>195</u>	<u>659,830</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 509,018</u>	<u>\$ 66,095</u>	<u>\$ 575,113</u>
<b>Reconciliation to balance sheet</b>			
Cash	\$ 320,523	\$ 66,095	\$ 386,618
Restricted assets - cash	188,495	0	188,495
	<u>\$ 509,018</u>	<u>\$ 66,095</u>	<u>\$ 575,113</u>

(Continued)

**CITY OF TALLULAH**

**PROPRIETARY FUND TYPE- ENTERPRISE FUNDS  
Statements of Cash Flows  
For the Year Ended June 30, 2009**

**Statement I**

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
Non cash transactions			
Amortization of bond issuance cost	\$ 16,083	\$ 0	\$ 16,083
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (loss)	85,401	77,818	163,219
Adjustments to reconcile operating income to net cash provided (used) for operating activities:			
Depreciation	651,209	260,102	911,311
(Increase) decrease in accounts receivable	6,466	(13,983)	(7,517)
(Increase) decrease in interfund receivable	439,295	(2,576)	436,719
Increase (decrease) in accounts payable	49,394	(38,328)	11,066
Increase (decrease) in interfund payable	13,877	(199,043)	(185,166)
Increase (decrease) in deposits due others	4,474	0	4,474
Net cash provided (used) by operating activities	\$ 1,250,116	\$ 83,990	\$ 1,334,106

(Concluded)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**City of Tallulah**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**City of Tallulah**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying financial statements of the City of Tallulah have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. REPORTING ENTITY** The City of Tallulah was founded in 1856 and is incorporated under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481) of the constitution of the state of Louisiana. The City is located in the parish of Madison and has a population of 9,163. The City is governed by the mayor and five-member Council. The mayor and Council members serve four-year terms which expire on June 30, 2010.

As the governing authority of the City, for reporting purposes, the City of Tallulah is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Tallulah for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

Because the City appoints the governing body of the Tallulah Housing Authority, the Housing Authority was determined to be a component unit of the City of Tallulah, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the City and do not present information on the housing authority or the general government services provided by that governmental unit. A copy of the audit report for the Housing Authority may be obtained from the City Clerk of Tallulah at 204 North Cedar, Tallulah, Louisiana, 71282.

**B. FUND ACCOUNTING** The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Funds are classified into two categories; governmental and proprietary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on the recovering the cost of providing services to the public or other agencies through service charges or user fees.



**City of Tallulah**  
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Fiduciary funds are used to account for assets held for others. The City's current operations require the use of governmental and proprietary fund types described as follows:

**Governmental Funds**

**General fund** - is the general operating fund of the City. It accounts for all financial resources, except those required to be accounted for in other funds.

**1998 Public Improvement Bonds fund** - is used to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs regarding the 1998 Public Improvement Bonds.

**Section 8 - The Section Fund** accounts for the operations of the lower income housing assistance program which provides aid to very low-income families in obtaining decent, safe, and sanitary rental housing. Financing is provided by a federal grant.

**Proprietary Fund - Enterprise Funds** - account for the operations of the City's water and sewer systems. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)** The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

**Program revenues** Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Allocation of indirect expenses** The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Fund Financial Statements (FFS)**

**Governmental Funds** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when

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susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues** Ad valorem taxes are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar-year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1994 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December, January, and February of the current year.

Franchise taxes and intergovernmental revenues are recorded when the City is entitled to the funds.

Interest income on time deposits is recorded when the interest has been earned and the amount is determinable.

Substantially all other revenues are recorded when they are received by the City.

Based on the above criteria, ad valorem taxes, franchise taxes and intergovernmental revenues have been treated as susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Other Financing Source (Use)** Transfers between funds that are not expected to be repaid are accounted for as other financing sources and are recognized when the underlying event occurs.

**Proprietary Funds** Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The City has elected pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

**Operating revenues and expenses** Proprietary fund distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. BUDGET PRACTICES** A preliminary budget for the ensuing year is prepared by the clerk in May. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the June meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments

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**Notes to the Basic Financial Statements**  
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from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City Council as a whole. The budget is then adopted during the June meeting, and notice is published in the official journal.

During the year, the City Council receives monthly budget comparison statements which are used as a tool to control the operations of the City. The City Clerk presents necessary budget amendments to the Board when he determines that actual operations are differing materially from those anticipated in the original budget. The Board in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes published in the official journal. The budget is established and controlled by the mayor and Council members at the functional level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the Council members. The City does not use encumbrance accounting in its accounting system.

**E. CASH AND CASH EQUIVALENTS** Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the union, or the laws of the United States of America. The City may invest in certificates and time deposits of state banks organized under Louisiana laws and national banks having principal offices in Louisiana.

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

**F. INVESTMENTS** Under state law, the City may invest funds in obligations of the United States of America, in federally insured investments, or in time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana. Investments in marketable securities (United States Treasury Notes) are reported at market value.

**G. CAPITAL ASSETS** Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The City's practice is to capitalize all fixed assets with a cost of \$500 or more. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used for governmental fund-type based on the following estimated useful lives:

Land	N/A
Building and Improvements	20 years
Furniture and equipment	5-10 years

The capital assets used in the proprietary fund-type operations are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations are charged as an expense against operations. Depreciation is computed using the straight-line method over estimated lives of 60 years for the plant, distribution system, and collection system, 3 to 10 years for furniture and equipment.

**H. LONG-TERM DEBT** Long-term obligations, such as bonded debt and bank loans are recognized as liabilities of a governmental fund only when due.

**I. VACATION AND SICK LEAVE** Permanent, full-time employees receive from five to ten days of vacation leave each year depending on length of service. Employees may accumulate vacation leave. Sick leave is earned at

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the rate of ten days per year; however, no employee may accumulate more than ten days of sick leave. Employees who resign or retire are compensated for annual leave accumulated to the date of separation, not to exceed ten days, provided in the case of resignation the employee has completed at least 12 months of continuous service and has given two weeks' notice of resignation.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the governmental funds when leave is actually take or when employees are paid for accrued leave upon resignation or retirement.

**J. RESTRICTED ASSETS** Certain grants received by the City contained restrictions on spending for specific purposes. In the Sewer Enterprise Fund, specially-assessed sewer fees are restricted for future repair and maintenance of the sewer system.

**K. RISK MANAGEMENT** The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended June 30, 2004.

**L. RESTRICTED NET ASSETS** For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**M. FUND BALANCES OF FUND FINANCIAL STATEMENTS** Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

**N. INTERFUND TRANSACTIONS.** Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transfers are reported as transfers.

**O. USE OF ESTIMATES** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**P. ELIMINATION AND RECLASSIFICATIONS** In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Appropriations in Individual Funds** The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2009:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$2,741,612	\$3,026,628	\$(285,016)

**B. Deficit Fund Balances** The following fund had a deficit fund balance at June 30, 2009:

<u>Fund</u>	<u>Deficit Amount</u>
Water Fund	\$1,116,708

**NOTE 3 - DEPOSITS & INVESTMENTS** At June 30, 2009, the City had the following investments:

<u>Investment type</u>	<u>Maturities</u>	<u>Fair Value</u>
U. S. Treasury securities	Less than 1 year	\$510,736

**Interest Rate Risk:** The City's policy does not address interest rate risk.

**Credit Risk:** The City invests in certificate of deposit and U. S. Treasury securities which do not have credit ratings.

**Custodial credit risk-Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the City's carrying amount of deposits was \$898,477 (Statement A – Cash and cash equivalents of \$709,982 unrestricted and \$188,495 restricted) and the bank balance was \$937,687. The entire bank balance, \$937,687 was covered by federal depository insurance or by collateral held by the City's agent in the City's name (GASB Category 1). The City's policy does not address custodial credit risk.

**Custodial Credit Risk-Investments:** For an investment, this is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2009, the City had 100% of its investments with an outside party. The securities are not registered in the City's name.

**NOTE 4 - LEVIED TAXES** The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Madison Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Madison Parish Tax Assessor prepares tax statements for the City. Ad valorem taxes were levied on September 25, 2008 with a due date of December 31, 2008 and a levy date of January 1, 2009.

The following is a summary of authorized and levied property taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
General Fund Operations	8.21	8.21
General Fund 77	7.43	7.43
General Fund 91	9.22	9.22
1991 Street Program	8.69	8.69
1981 Sewer Bond	1.01	1.01

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**NOTE 5 - RECEIVABLES** The following is a summary of receivables at June 30, 2009:

<u>Class of Receivables</u>	<u>General</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Taxes:</b>				
Ad valorem	\$ 1,393	\$ -	\$ -	\$ 1,393
Sales & use	200,009	-	-	200,009
Other taxes	3,106	-	-	3,106
State revenue	51,933	-	-	51,933
Federal revenue	3,859	-	-	3,859
Sewer user fees	-	-	111,288	111,288
Water user fees	-	190,170	-	190,170
Franchise fees	33,997	-	-	33,997
Due from other governments	25,465	-	-	25,465
Other	19,491	-	-	19,491
Gross receivables	339,253	190,170	111,288	640,711
Less allowance for uncollectibles	-	1,904	2,746	4,650
Net total receivables	<u>\$ 339,253</u>	<u>\$ 188,266</u>	<u>\$ 108,542</u>	<u>\$ 636,061</u>

**NOTE 6 - INTERFUND TRANSACTIONS/BALANCES** Individual balances due from/to other funds at June 30, 2009, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental	\$ 1,661
General Fund	Sewer Fund	68,569
General Fund	Water Fund	13,877
1998 Public Improvement Bond	Other Governmental	13,951
Section 8	General Fund	19,303
Other Governmental	General Fund	25,015
Sewer Fund	Other Governmental	2,576
Total		<u>\$ 144,952</u>

Interfund balances result from loans to cover cash shortages during the year.

Transfers during the year were as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Transfers in</u>	<u>Transfers Out</u>
General Fund	Water Fund	\$ 439,011	\$ 439,011
Other Governmental	General Fund	293	293
Sewer Fund	General Fund	17,403	17,403
Sewer Fund	Other Governmental	6,602	6,602
Sewer Fund	Water Fund	157,968	157,968
Total		<u>\$ 621,277</u>	<u>\$ 621,277</u>

The City normally transfers money from the utility funds to the general fund to cover shortfalls in the general fund. The Water fund transfers money to the sewer fund to cover shortfalls in cash.

**City of Tallulah**  
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**NOTE 7 - CAPITAL ASSETS** The following presents the changes in governmental activities capital assets for the year ended June 30, 2009:

	Balance Beginning	Additions	Deletions	Balance Ending
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	23,500	-	23,500	-
Depreciable assets				
Infrastructure	575,255	-	-	575,255
Buildings and improvements	2,578,437	23,500	1,517	2,600,420
Furniture and equipment	1,311,149	94,433	-	1,405,582
Total	4,566,841	117,933	25,017	4,659,757
Less: accumulated depreciation	3,173,896	125,100	-	3,298,996
Total capital assets, net	<u>\$ 1,392,945</u>	<u>\$ (7,167)</u>	<u>\$ 25,017</u>	<u>\$ 1,360,761</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 5,004
Police department	23,769
Fire department	40,032
Street department	48,789
Culture and recreation	7,506
Total	<u>\$ 125,100</u>

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A summary of plant and equipment used in the business-type activities follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 678,330	\$ -	\$ -	\$ 678,330
Construction in progress	5,232,770	102,500	5,332,270	3,000
Capital assets, not being depreciated	5,911,100	102,500	5,332,270	681,330
Depreciable assets				
Equipment	929,535	4,980	-	934,515
Plant	9,900,494	-	-	9,900,494
Transmission lines	2,986,914	5,416,112	-	8,403,026
Water systems	8,313,952	-	-	8,313,952
Pumping stations	337,944	-	-	337,944
Capital assets, depreciable	22,468,839	5,421,092	-	27,889,931
Less accumulated depreciation	7,178,833	911,311	-	8,090,144
Depreciable capital assets, net	15,290,006	4,509,781	-	19,799,787
Total capital assets, net	<u>\$21,201,106</u>	<u>\$ 4,612,281</u>	<u>\$ 5,332,270</u>	<u>\$20,481,117</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 651,209
Sewer	260,102
Total	<u>\$ 911,311</u>

**NOTE 8 - PENSION PLANS** Substantially all employees of the City of Tallulah are members of either the Firefighters' Retirement System of Louisiana, the Municipal Police Retirement System of Louisiana, or the Social Security System. The state retirement systems are each multiple-employer, public employee retirement systems (PERS), controlled and administered by separate boards of trustees.

**FIREFIGHTERS' RETIREMENT SYSTEM OF LOUISIANA** The Firefighters' Retirement System is a cost-sharing, multiple employer defined benefit pension plan. Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3½% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.



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Plan members are required by state statute to contribute 8.0% of their annual covered salary and the City of Tallulah is required to contribute an actuarially determined rate. The current rate is 12.5% of annual covered payroll. The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Tallulah's contributions to the System for the years ending June 30, 2009, 2008, and 2007, were \$14,369, 14,634, and \$17,655, respectively, equal to the required contributions for each year.

**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM** The Municipal Police Employees' Retirement System is a cost-sharing, multiple employer defined benefit pension plan. All full-time police department employees engage in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3½% of the final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously, and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained in writing to the Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City of Tallulah is required to contribute at an actuarially determined rate. The current rate is 9.5% of annual covered payroll. The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Tallulah's contributions to the System for the years ended June 30, 2009, 2008, and 2007, were \$26,428, \$42,819, and \$46,498, respectively, equal to the required contributions for each year.

**NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLE**

<u>Class of Payables</u>	<u>General</u>	<u>Section 8</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts Payable	\$ 169,807	\$ 18,460	\$ 107,744	\$ 35,399	\$ 331,410
Wages Payable	9,263	-	-	-	9,263
Net total payable	<u>\$ 179,070</u>	<u>\$ 18,460</u>	<u>\$ 107,744</u>	<u>\$ 35,399</u>	<u>\$ 340,673</u>

**City of Tallulah**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**NOTE 10 - ON-BEHALF SUPPLEMENTAL PAY** Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$76,440 is recognized as intergovernmental revenue and public safety expenditures in the following departments:

Police	\$49,690
Fire	26,750

**NOTE 11 - BANK LOANS PAYABLE** During the year ended June 30, 1997, the City secured a bank loan to finance the construction of a factory building. The amount of the loan was \$376,813 with a 7.0% interest. The principal balance of \$114,320 was paid in full during the fiscal year ended June 30, 2009. The loan payments were made from the general fund. The interest payments of \$1,926 were made to the bank during the year ended June 30, 2009.

**NOTE 12 - CHANGES IN LONG-TERM OBLIGATIONS** Governmental activities long-term liabilities are direct obligations and pledge the full faith and credit of the City. The City has incurred these liabilities to provide funds for the acquisition and construction of major capital additions, paid with the appropriate debt service funds. Also, the City has incurred other debt as a result of the City merging the retirement fund, which is paid with the general fund.

The City has issued revenue bonds. This revenue bond whereby the City pledges income derived from the acquired or constructed assets to pay debt service. This long-term debt is reported in the business-type activities, in which payments are made by the Water and Sewer funds.

During the year ended June 30, 2009, the following changes occurred in governmental activities long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Sales tax revenue bonds	\$ 505,000	\$ -	\$ 245,000	\$ 260,000	\$ 260,000
General obligation bonds	256,988	-	44,507	212,481	46,535
Other debt	213,918	-	129,786	84,132	16,548
Total	<u>\$ 975,906</u>	<u>\$ -</u>	<u>\$ 419,293</u>	<u>\$ 556,613</u>	<u>\$ 323,083</u>

During the year ended June 30, 2009, the following changes occurred in business-type activities long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Revenue bonds	\$ 5,580,000	\$ -	\$ 120,000	\$ 5,460,000	\$ 130,000
Deferred bond issue cost	(402,003)	-	(16,083)	(385,920)	(16,080)
Loans payable	5,789,758	-	74,811	5,714,947	79,368
Capital lease payable	2,305,594	-	101,685	2,203,909	66,489
Total	<u>\$ 13,273,349</u>	<u>\$ -</u>	<u>\$ 280,413</u>	<u>\$ 12,992,936</u>	<u>\$ 259,777</u>

**City of Tallulah**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

The following is a summary of long-term obligation transactions for the year ended June 30, 2009:

	<u>Issue Dates</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<b>Governmental activities</b>						
Sales Tax Revenue Bonds:						
Public Improv. Refunding Bonds, Series ST-1998	3/12/1998	6/1/2010	3.9-5.0%	\$2,390,000	\$ 260,000	
General Obligation Bonds:						
General Obligation Bonds Series 1981	10/8/1981	10/1/2021	5.0%	260,000	144,456	
Fire Protection-Cert of Indebt	3/23/1998	6/30/2011	4.9%	327,740	68,025	
Other Debt:						
Loan for Merger of Retirement System	7/1/1986	10/1/2013	7.0%	278,439	84,132	
<b>Business-type Activities</b>						
Enterprise Funds						
Utilities System Revenue Bonds:						
2007 Series Water Improve. Bond	9/1/2007	9/1/2032	4.3-5.0%	5,630,000		\$ 5,460,000
Deferred Bond Issue Cost				(428,803)		(385,920)
Loans payable (USDA):						
Water Rehab Phase I	1/26/2001	1/26/2041	4.9%	1,733,000		1,612,946
Water Rehab Phase II	10/7/2004	10/7/2026	4.3%	383,500		318,608
Water Rehab Phase II	9/24/2001	8/3/2041	4.5%	728,000		679,796
Sewer Rehab Phase I	9/6/2006	7/6/2046	4.4%	2,660,000		2,612,567
Sewer Rehab Phase II	9/6/2006	9/6/2046	4.4%	500,000		491,030
Capital Leases						
Water Meters-Electronically Read	5/29/2006	11/29/2026	5.9%	2,354,172		2,192,517
2005 Sewer Backhoe	7/15/2005	6/30/2010	4.0%	63,012		11,392
Totals					556,613	12,992,936
Current Portion of Debt					(323,083)	(275,857)
Current Portion of Deferred Bond Issue					-	16,080
Totals					<u>\$ 233,530</u>	<u>\$ 12,733,159</u>

The classification "other" consists of \$84,132 which represents the balance remaining as a result of the City of Tallulah's Police Retirement Fund merging with the Municipal and State Police Retirement System of Louisiana.

Debt service funds have \$569,945 available to service the bonded debt in the Governmental fund-type funds.

**City of Tallulah**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

The annual requirements to amortize all outstanding debt at June 30, 2009 are as follows:

<u>Year</u>	<u>General Long-Term Debt</u>			<u>Water Enterprise Fund</u>		<u>Sewer Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 323,083	\$ 29,023	\$ 352,106	\$ 158,283	\$ 380,484	\$ 35,005	\$ 134,123
2011	55,963	12,591	68,554	165,379	372,692	36,504	132,624
2012	27,963	8,956	36,919	177,575	364,476	38,070	131,058
2013	29,740	7,178	36,918	184,872	356,826	39,705	129,423
2014	20,604	5,563	26,167	192,281	346,637	41,414	127,714
2015-2019	57,683	19,394	77,077	1,098,044	1,568,683	235,495	610,145
2020-2024	41,577	4,669	46,246	1,397,151	1,269,976	291,227	554,413
2025-2029	-	-	-	1,741,000	875,510	360,559	485,081
2030-2034	-	-	-	1,763,011	393,010	446,808	398,831
2035-2039	-	-	-	574,216	128,495	554,105	271,535
2040-2044	-	-	-	233,618	10,565	687,586	158,051
2045-2047	-	-	-	-	-	337,119	19,050
<b>Total</b>	<u>\$ 556,613</u>	<u>\$ 87,374</u>	<u>\$ 643,987</u>	<u>\$ 7,685,430</u>	<u>\$ 6,067,354</u>	<u>\$ 3,103,597</u>	<u>\$ 3,152,048</u>

General obligation bonds totaling \$212,481 at June 30, 2009, are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property in the City. Assessed value for the 2008 tax roll was \$15,780,599. The City is within the statutory limitation of \$5,523,210.

**NOTE 13 - CAPITAL LEASES** The City entered into a lease agreement for financing the acquisition of a water meter system and a backhoe. The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Original Cost</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation</u>
Water meter system - Water Fund	\$ 2,354,172	\$ 117,299	\$ 242,795
Backhoe - Sewer Fund	63,012	12,602	50,410

**City of Tallulah**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

<u>Year Ending June 30,</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
2010	\$ 151,311	\$ 11,602
2011	201,748	-
2012	201,748	-
2013	201,748	-
2014	201,810	-
2015-2019	1,010,000	-
2020-2024	1,010,000	-
2025-2027	549,303	-
Total minimum lease payments	3,527,668	11,602
Less: amount representing interest	1,335,151	210
Present value of minimum lease payments	<u>\$ 2,192,517</u>	<u>\$ 11,392</u>

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**Litigation** At June 30, 2009, the City is involved in several lawsuits. In the opinion of the City's legal Council, the outcome of any remaining lawsuits will not materially affect the financial statements.

**Construction Projects** There are certain sewer construction projects in progress at June 30, 2009; however, the City did not have any signed construction contracts at the end of the fiscal year ended June 30, 2009.

**NOTE 15 - RISK MANAGEMENT** The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and automobile liability for which the City carries commercial insurance. The City currently has no deductibles for any insurance coverage.

**NOTE 16 - PRIOR PERIOD ADJUSTMENT** The Government-Wide Financial Statements include two prior period adjustments decreasing net assets of \$240,967; this amount is due to two separate factors: customer security deposits and accounts receivable. The business-type activities, in the water fund, had an increase in customer security deposits payable of \$176,313, which resulted in a decrease in fund balance of \$176,313. The City collects customer deposits for water, which are refundable; however were not as a liability for the full value in prior year. The business-type activities, in the sewer fund, had a decrease in accounts receivable of \$64,654, which resulted in a decrease in fund balance of \$64,654, due to the City's software program was not pulling the total of sewer account balances from the correct data.

**NOTE 17 - SUBSEQUENT EVENTS** In February 2010, the City purchased a new fire truck for \$300,000. The funding for the fire truck was provided by the USDA with a \$250,000 loan and a \$50,000 grant.

**City of Tallulah**

**REQUIRED SUPPLEMENTAL INFORMATION**

**City of Tallulah**

**Budgetary Comparison Schedules**

**Funds with Legally Adopted Annual Budget**

**General Fund-** is the general operating fund of the City. It accounts for all financial resources, except those required to be accounted for in other funds.

**Section 8 -** The Section Fund accounts for the operations of the lower income housing assistance program which provides aid to very low-income families in obtaining decent, safe, and sanitary rental housing. Financing is provided by a federal grant.

**CITY OF TALLULAH**  
**GENERAL FUND**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2009**

Exhibit 1-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 504,516	\$ 504,516	\$ 504,516	0
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	389,700	389,700	382,668	(7,032)
Sales and use	1,235,900	1,235,900	904,415	(331,485)
Beer Tax	10,000	10,000	12,059	2,059
Licenses and permits	157,800	157,800	85,594	(72,206)
Intergovernmental revenues	203,615	203,615	436,565	232,950
Rental income	9,600	9,600	6,265	(3,335)
Use of money and property	0	0	4,349	4,349
Fines and forfeitures	175,862	175,862	93,499	(82,363)
Miscellaneous revenues	278,335	278,335	417,333	138,998
Transfers from other funds	280,800	280,800	439,011	158,211
Amounts available for appropriations	<u>3,246,128</u>	<u>3,246,128</u>	<u>3,286,274</u>	<u>40,146</u>
Charges to appropriations (outflows)				
Current:				
General and administrative	1,801,747	1,801,747	756,011	1,045,736
Police Department	176,760	176,760	637,877	(461,117)
Fire Department	36,050	36,050	450,910	(414,860)
Street Department	112,000	112,000	722,954	(610,954)
Culture and recreation	99,300	99,300	106,024	(6,724)
Legislative	4,000	4,000	8,123	(4,123)
Transportation	21,600	21,600	67,314	(45,714)
Capital outlay	148,300	148,300	77,240	71,060
Debt service:				
Principal retirement	72,905	72,905	166,503	(93,598)
Interest expense	0	0	15,976	(15,976)
Transfers to other funds	268,950	268,950	17,696	251,254
Total charges to appropriations	<u>2,741,612</u>	<u>2,741,612</u>	<u>3,028,628</u>	<u>(285,016)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 504,516</u>	<u>\$ 504,516</u>	<u>\$ 259,646</u>	<u>(244,870)</u>



**CITY OF TALLULAH**

**SECTION 8  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2009**

**Exhibit 1-2**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
BUDGETARY FUND BALANCES, Beginning	\$ 120,000	\$ 120,000	\$ 142,415	\$ 22,415
Resources (Inflows)				
Local sources:				
Intergovernmental revenues	220,000	220,000	153,798	(66,202)
Use of money and property	0	0	907	907
Miscellaneous revenues	<u>0</u>	<u>0</u>	<u>1,418</u>	<u>1,418</u>
Amounts available for appropriations	<u>340,000</u>	<u>340,000</u>	<u>298,538</u>	<u>(41,462)</u>
Charges to appropriations (outflows)				
Current:				
Health and welfare	<u>220,000</u>	<u>220,000</u>	<u>158,660</u>	<u>61,340</u>
Total charges to appropriations	<u>220,000</u>	<u>220,000</u>	<u>158,660</u>	<u>61,340</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 139,878</u>	<u>\$ 19,878</u>

**City of Tallulah**

**Notes to the Budgetary Comparison Schedule  
For the Year Ended June 30, 2009**

**Note A. BUDGET PRACTICES** A preliminary budget for the ensuing year is prepared by the clerk in May. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the June meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City Council as a whole. The budget is then adopted during the June meeting, and notice is published in the official journal.

During the year, the City Council receives monthly budget comparison statements which are used as a tool to control the operations of the City. The City Clerk presents necessary budget amendments to the Council when he determines that actual operations are differing materially from those anticipated in the original budget. The Council in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes published in the official journal.

The budget is established and controlled by the mayor and Council members at the functional level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the Council members. The City does not use encumbrance accounting in its accounting system.

**Note B. Excess of Actual Expenditures over Budgeted Appropriations** For the fund which a budget to actual comparison was made, 2009 budgeted appropriations exceeded actual appropriations at the level of budgetary control as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$2,741,612	\$3,026,628	\$(285,016)

**CITY OF TALLULAH**

**Notes to the Budgetary Comparison Schedule  
For the Year Ended June 30, 2009**

**Note C - Budget to GAAP Reconciliation - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures**

	<u>GENERAL FUND</u>	<u>SECTION 8</u>
<u>Sources/inflows of resources:</u>		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 3,286,274	\$ 298,538
 The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	 (504,516)	 (142,415)
 Transfers in are shown as resources (inflows) for budgetary purposes but as other financing sources for the Statement of Revenues and Expenditures and Changes in Fund Balances.	 (439,011)	 0
 Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 2,342,747</u>	 <u>\$ 156,123</u>
 <u>Uses/outflows of resources:</u>		
Actual amounts (budgetary basis) "Total charges to appropriation" from the Budgetary Comparison Schedule	\$ 3,026,628	\$ 158,660
 Transfers to other funds classified as expenditures for budgetary purposes and as an operating transfer for financial reporting.	 (17,696)	 0
 Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 3,008,932</u>	 <u>\$ 158,660</u>

**City of Tallulah**

**SUPPLEMENTAL INFORMATION**

**CITY OF TALLULAH**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Balance Sheet - By Fund Type**  
**June 30, 2009**

**Exhibit 2**

	<u>SPECIAL</u> <u>REVENUE</u>	<u>DEBT</u> <u>SERVICE</u>	<u>CAPITAL</u> <u>PROJECT</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 66,245	\$ 58,370	40	\$ 124,655
Interfund receivables	<u>22,515</u>	<u>16,451</u>	<u>0</u>	<u>38,966</u>
<b>TOTAL ASSETS</b>	<u>88,760</u>	<u>74,821</u>	<u>40</u>	<u>163,621</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Interfund payables	<u>2,576</u>	<u>1,661</u>	<u>0</u>	<u>4,237</u>
<b>TOTAL LIABILITIES</b>	<u>2,576</u>	<u>1,661</u>	<u>0</u>	<u>4,237</u>
<b>FUND BALANCES:</b>				
Reserved for debt service	0	73,160	0	73,160
Unreserved and undesignated	<u>86,184</u>	<u>0</u>	<u>40</u>	<u>86,224</u>
<b>Total Fund Balances</b>	<u>86,184</u>	<u>73,160</u>	<u>40</u>	<u>159,384</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 88,760</u>	<u>\$ 74,821</u>	<u>40</u>	<u>\$ 163,621</u>

## CITY OF TALLULAH

**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances - By Fund Type**  
**For the Year Ended June 30, 2009**

Exhibit 3

	<u>SPECIAL</u> <u>REVENUE</u>	<u>DEBT</u> <u>SERVICE</u>	<u>CAPITAL</u> <u>PROJECT</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Local sources:				
Taxes				
Ad valorem	\$ 98,351	\$ 12,601	\$ 0	\$ 110,952
Intergovernmental revenues	0	0	3,001	3,001
Use of money and property	10,039	92	0	10,131
Miscellaneous revenues	483	0	0	483
Total revenues	<u>108,873</u>	<u>12,693</u>	<u>3,001</u>	<u>124,567</u>
<b>EXPENDITURES</b>				
Current:				
Street Department	170,243	0	0	170,243
Other	0	0	81	81
Capital outlay	17,193	0	0	17,193
Debt service:				
Principal retirement	0	7,790	0	7,790
Interest and bank charges	0	12,348	0	12,348
Total expenditures	<u>187,436</u>	<u>20,138</u>	<u>81</u>	<u>207,655</u>
<b>EXCESS (Deficiency) OF REVENUES</b>				
<b>OVER EXPENDITURES</b>	<u>(78,563)</u>	<u>(7,445)</u>	<u>2,920</u>	<u>(83,088)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	293	293
Transfers out	0	0	(6,602)	(6,602)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>0</u>	<u>0</u>	<u>(6,309)</u>	<u>(6,309)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(78,563)</u>	<u>(7,445)</u>	<u>(3,389)</u>	<u>(89,397)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>164,747</u>	<u>80,605</u>	<u>3,429</u>	<u>248,781</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 86,184</u>	<u>\$ 73,160</u>	<u>\$ 40</u>	<u>\$ 159,384</u>

**City of Tallulah**

**Nonmajor Special Revenue Funds**

**STREET PROGRAM** - The Street Program Fund accounts for the maintenance of the City streets. Major means of financing is provided by a specific City-wide ad valorem tax.

**TEC BUILDING** - The TEC Building Fund accounts for revenue received from the rental of a City-owned building.

**CITY OF TALLULAH**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2009**

**Exhibit 4**

	<u>STREET PROGRAM</u>	<u>TEC BUILDING</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 56,069	\$ 10,176	\$ 66,245
Interfund receivables	<u>22,135</u>	<u>380</u>	<u>22,515</u>
<b>TOTAL ASSETS</b>	<u>78,204</u>	<u>10,556</u>	<u>88,760</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Interfund payables	<u>2,576</u>	<u>0</u>	<u>2,576</u>
<b>Total Liabilities</b>	2,576	0	2,576
<b>FUND BALANCES:</b>			
Unreserved and undesignated	<u>75,628</u>	<u>10,556</u>	<u>86,184</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 78,204</u>	<u>\$ 10,556</u>	<u>\$ 88,760</u>



**CITY OF TALLULAH**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended June 30, 2009**

**Exhibit 5**

	<u>STREET PROGRAM</u>	<u>TEC BUILDING</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Local sources:			
Taxes			
Ad valorem	\$ 98,351	\$ 0	\$ 98,351
Use of money and property	9,958	81	10,039
Miscellaneous revenues	<u>483</u>	<u>0</u>	<u>483</u>
Total revenues	<u>108,792</u>	<u>81</u>	<u>108,873</u>
<b>EXPENDITURES</b>			
Current:			
Street Department	170,243	0	170,243
Capital outlay	<u>17,193</u>	<u>0</u>	<u>17,193</u>
Total expenditures	<u>187,436</u>	<u>0</u>	<u>187,436</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(78,644)	81	(78,563)
<b>FUND BALANCES - BEGINNING</b>	<u>154,272</u>	<u>10,475</u>	<u>164,747</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 75,628</u>	<u>\$ 10,556</u>	<u>\$ 86,184</u>

**City of Tallulah**

**Nonmajor Debt Service Funds**

**1981 GENERAL OBLIGATION BOND FUND** - accumulates monies for payment of \$260,000 General Obligation Bonds dated October 8, 1981, issued for the purpose of constructing improvements and extensions to the sewer system of the City. Funding is provided by an ad valorem tax.

**1998 GENERAL OBLIGATION BOND FUND** - accumulates resources for, and the payment of long-term debt principal, interest, and related costs guarding the 1998 General Obligation Bond.

**CITY OF TALLULAH**  
**NONMAJOR DEBT SERVICE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2009**

**Exhibit 6**

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 38,791	\$ 19,579	\$ 58,370
Interfund receivables	<u>0</u>	<u>16,451</u>	<u>16,451</u>
<b>TOTAL ASSETS</b>	<u>38,791</u>	<u>36,030</u>	<u>74,821</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Interfund payables	1,661	0	1,661
<b>FUND BALANCES:</b>			
Reserved for debt service	<u>37,130</u>	<u>36,030</u>	<u>73,160</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 38,791</u>	<u>\$ 36,030</u>	<u>\$ 74,821</u>

**CITY OF TALLULAH**

**NONMAJOR DEBT SERVICE FUNDS  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 2009**

**Exhibit 7**

	<b>1981 GENERAL OBLIGATION BONDS</b>	<b>1998 GENERAL OBLIGATION BONDS</b>	<b>TOTAL</b>
<b>REVENUES</b>			
Local sources:			
Taxes			
Ad valorem	\$ 12,601	\$ 0	\$ 12,601
Use of money and property	59	33	92
Total revenues	<u>12,660</u>	<u>33</u>	<u>12,693</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal retirement	7,790	0	7,790
Interest and bank charges	<u>7,900</u>	<u>4,448</u>	<u>12,348</u>
Total expenditures	<u>15,690</u>	<u>4,448</u>	<u>20,138</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<b>(3,030)</b>	<b>(4,415)</b>	<b>(7,445)</b>
<b>FUND BALANCES - BEGINNING</b>	<u>40,160</u>	<u>40,445</u>	<u>80,605</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 37,130</u>	<u>\$ 36,030</u>	<u>\$ 73,160</u>

**City of Tallulah**

**COMPARATIVE INFORMATION  
REQUIRED BY  
BOND COVENANT  
WITH THE  
U. S. DEPARTMENT OF AGRICULTURE**

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**Comparative Statement of Net Assets**  
**June 30, 2009 and 2008**

Exhibit 8

	2009 WATER FUND	2008 WATER FUND	2009 SEWER FUND	2008 SEWER FUND
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash	\$ 320,523	\$ 650,111	\$ 66,095	\$ 195
Receivables	188,266	194,732	108,542	159,213
Interfund receivables	0	439,295	2,576	0
<b>Restricted Assets:</b>				
Cash	188,495	9,524	0	0
Investments	0	798	0	0
<b>Total Current Assets</b>	<b>697,284</b>	<b>1,294,458</b>	<b>177,213</b>	<b>159,408</b>
<b>Long-term Assets</b>				
Property, plant and equipment (net of accumulated depreciation)	<u>8,461,091</u>	<u>9,107,320</u>	<u>12,020,026</u>	<u>12,093,786</u>
<b>TOTAL ASSETS</b>	<b><u>9,158,375</u></b>	<b><u>10,401,778</u></b>	<b><u>12,197,239</u></b>	<b><u>12,253,194</u></b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts, salaries and other payable	107,744	58,350	35,399	73,727
Interfund payables	13,877	0	68,569	267,612
Interest payable	87,020	0	10,868	0
Payable from restricted assets - customer dep.	188,495	7,708	0	0
Rev bonds pay. (net of def bond costs) -current	113,920	229,249	0	0
Loans payable - current	44,363	0	35,005	46,621
Capital leases payable - current	<u>55,097</u>	<u>0</u>	<u>11,392</u>	<u>0</u>
<b>Total Current Liabilities</b>	<b><u>\$ 610,516</u></b>	<b><u>\$ 295,307</u></b>	<b><u>\$ 161,233</u></b>	<b><u>\$ 387,960</u></b>

(CONTINUED)

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**Comparative Statement of Net Assets**  
**June 30, 2009 and 2008**

Exhibit 8

	2009 WATER FUND	2008 WATER FUND	2009 SEWER FUND	2008 SEWER FUND
<b>Noncurrent Liabilities</b>				
Rev bonds pay. (net of deferred bond costs)	\$ 4,980,180	\$ 5,057,997	\$ 0	\$ 0
Loans payable	2,566,987	2,611,751	3,068,592	3,102,644
Capital leases payable	2,137,420	2,210,351	0	14,736
<b>Total Noncurrent Liabilities</b>	<u>9,664,567</u>	<u>9,880,099</u>	<u>3,068,592</u>	<u>3,117,380</u>
<b>TOTAL LIABILITIES</b>	<u>10,275,083</u>	<u>10,175,406</u>	<u>3,229,825</u>	<u>3,505,340</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(1,416,856)	(1,002,028)	8,905,037	8,929,785
Restricted	0	10,320	0	0
Unrestricted	300,148	1,218,080	62,377	(181,931)
<b>TOTAL NET ASSETS</b>	<u>\$ (1,116,708)</u>	<u>\$ 226,372</u>	<u>\$ 8,967,414</u>	<u>\$ 8,747,854</u>

(CONCLUDED)

**City of Tallulah**

**Exhibit 9**

**Schedule of Compensation Paid to Council Members  
For the Year Ended June 30, 2008**

The schedule of per diem paid Council members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of Council members is included in legislative expenditures of the General Fund. In accordance with Louisiana Revised Statute 33:405, Council members receive \$500 per month. The president receives \$525 per month.

Charles Finlayson, Mayor Pro-Tem	\$ 6,300
Michael Whitney	6,000
Eddie Fountain	6,000
Henry Williams	6,000
Kelvin Brooks	<u>6,000</u>
<b>TOTAL</b>	<b><u>\$30,300</u></b>



**City of Tallulah**  
**Financial Data Schedule**  
**For the Year Ended June 30, 2009**

Submission Type: Audited/Non-A-133 LA242

	14.871 Housing Choice Vouchers	Total
112 Cash - Restricted - Modernization and Development		
113 Cash - Other Restricted		
114 Cash - Tenant Security Deposits		
115 Cash - Restricted for Payment of Current Liabilities		
100 Total Cash	\$139,035	\$139,035
131 Investments - Unrestricted		
132 Investments - Restricted		
135 Investments - Restricted for Payment of Current Liability		
142 Prepaid Expenses and Other Assets		
143 Inventories		
143.1 Allowance for Obsolete Inventories		
144 Inter Program Due From	\$19,303	\$19,303
145 Assets Held for Sale		
150 Total Current Assets	\$158,338	\$158,338
190 Total Assets	\$158,338	\$158,338
311 Bank Overdraft		
312 Accounts Payable <= 90 Days	\$18,460	\$18,460
313 Accounts Payable >90 Days Past Due		
321 Accrued Wage/Payroll Taxes Payable		
310 Total Current Liabilities	\$18,460	\$18,460
300 Total Liabilities	\$18,460	\$18,460
508.1 Invested In Capital Assets, Net of Related Debt		
509.2 Fund Balance Reserved		
511.2 Unreserved, Designated Fund Balance		
511.1 Restricted Net Assets	\$44,815	\$44,815
512.1 Unrestricted Net Assets	\$95,063	\$95,063
512.2 Unreserved, Undesignated Fund Balance		
513 Total Equity/Net Assets	\$139,878	\$139,878
600 Total Liabilities and Equity/Net Assets	\$158,338	\$158,338

**City of Tallulah**  
**Financial Data Schedule**  
**For the Year Ended June 30, 2009**

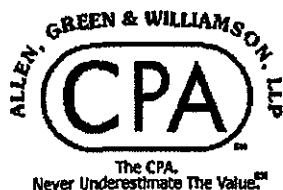
Submission  
Type: Audited/Non-A-133 LA242

	14,871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue		
70400 Tenant Revenue - Other		
70500 Total Tenant Revenue	\$0	\$0
70600 HUD PHA Operating Grants	\$153,798	\$153,798
70610 Capital Grants		
70700 Total Fee Revenue		
70800 Other Government Grants		
71100 Investment Income - Unrestricted	\$907	\$907
71200 Mortgage Interest Income		
71300 Proceeds from Disposition of Assets Held for Sale		
71310 Cost of Sale of Assets		
71400 Fraud Recovery		
71500 Other Revenue	\$1,418	\$1,418
71600 Gain or Loss on Sale of Capital Assets		
72000 Investment Income - Restricted		
70000 Total Revenue	\$156,123	\$156,123
91100 Administrative Salaries		
91200 Auditing Fees		
91300 Management Fee		
91310 Book-keeping Fee		
91400 Advertising and Marketing	\$132	\$132
91500 Employee Benefit contributions - Administrative		
91600 Office Expenses		
91700 Legal Expense	\$300	\$300
91800 Travel	\$0	\$0
91810 Allocated Overhead		
91900 Other	\$20,946	\$20,946
91000 Total Operating - Administrative	\$21,378	\$21,378

**City of Tallulah**  
**Financial Data Schedule**  
**For the Year Ended June 30, 2009**

Submission      Audited/Non-A-133    LA242  
Type:

	14,871 Housing Choice Vouchers	Total
96710 Interest of Mortgage (or Bonds) Payable		
96720 Interest on Notes Payable (Short and Long Term)		
96730 Amortization of Bond Issue Costs		
96700 Total Interest Expense and Amortization Cost	\$0	\$0
96900 Total Operating Expenses	\$21,378	\$21,378
97000 Excess of Operating Revenue over Operating Expenses	\$134,745	\$134,745
97100 Extraordinary Maintenance		
97200 Casualty Losses - Non-capitalized		
97300 Housing Assistance Payments	\$137,282	\$137,282
97350 HAP Portability-In		
97400 Depreciation Expense		
97500 Fraud Losses		
97600 Capital Outlays - Governmental Funds		
97700 Debt Principal Payment - Governmental Funds		
97800 Dwelling Units Rent Expense		
90000 Total Expenses	\$158,660	\$158,660
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$2,537	-\$2,537
11020 Required Annual Debt Principal Payments	\$0	\$0
11030 Beginning Equity	\$142,415	\$142,415
11040 Prior Period Adjustments, Equity Transfers and Correction		
11050 Changes in Compensated Absence Balance		
11060 Changes in Contingent Liability Balance		
11070 Changes in Unrecognized Pension Transition Liability		
11080 Changes in Special Term/Severance Benefits Liability		
11090 Changes in Allowance for Doubtful Accounts - Dwelling		
11100 Changes in Allowance for Doubtful Accounts - Other		
11170 Administrative Fee Equity	\$95,063	\$95,063
11180 Housing Assistance Payments Equity	\$44,815	\$44,815
11190 Unit Months Available	660	660
11210 Number of Unit Months Leased	502	502



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Ernest L. Allen, CPA  
(Retired) 1963 - 2000

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Mayor and Council Members  
City of Tallulah  
Tallulah, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements of the City's primary government and have issued our report thereon dated June 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 09-F1, 09-F2, 09-F3, 09-F4, 09-F5, and 09-F7 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiencies identified 09-F1 and 09-F2 above indicates a material weakness in the City's internal control.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as items 09-F4, 09-F5, 09-F6, 09-F8, and 09-F9.

We noted certain matters, that we reported to management of the City in a separate letter dated June 15, 2010.

The City's response to the findings identified in our audit are described in the accompanying Corrective Action Plan for Auditor's Current Year Findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Council members, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
June 15, 2010

**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**PART I - Summary of the Auditors' Results**

**Financial Statement Audit**

- i. The type of audit report issued was adverse for the government as a whole and qualified for the primary government.
- ii. There were six significant deficiencies required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America.

Two significant deficiencies were considered to be material weaknesses.

- iii. There were five instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Reference # and title:**            **09-F1**            **Insufficient Accounting Controls**

**Entity-wide or program/department specific:** This finding is entity wide.

**Criteria or specific requirement:** In order to ensure that there are adequate internal controls, one person should not perform incompatible functions. Separation of duties helps ensure that any discrepancies will be noted in the normal course of business.

Good internal controls also require that bank reconciliations be performed timely, to ensure that unexplained differences are discovered and resolved quickly. Additionally, information used to develop accounting records should be readily available for review and should mirror the accounting records. Periodic reviews should be performed to ensure that all transactions relating to the fiscal year have been recorded in the correct accounts and entered in the correct amount. Effective internal controls include vendor disbursements having original documentation (invoices, receipts, etc.), purchase order when required by policy, proper approval, supported by evidence of receipt of goods or services, and should be paid timely. Good internal controls over payroll records require that proper documentation be included in payroll records to support an employee's employability status and to support an employee's salary/hourly rate. Payroll records should include all employee authorizations for direct deposits. In order for internal controls to be effective policies and procedures should be created and approved by the board, to handle every day occurrences over the ordinary course of business.

**Condition found:** There is not an adequate separation of duties over cash disbursements and payroll. The City Clerk prints accounts payable checks, prepares the bank reconciliations and all payroll functions.

During the test of bank reconciliations, it was determined that only one bank account could be tested due to other reconciliations were not dated or signed to determine timeliness. Of the one bank account, two reconciliations tested were not prepared in a timely manner.

Through review and discussion with management, it was noted that the City does not have an established procurement policy, credit card policy, capitalization policy, information systems policy, contingency and recovery policy, cell phone policy and travel policy.

Although the City maintains the monthly activity of investments on a spreadsheet, it was determined that the City does not record the monthly activity of their investments in the general ledger.

When testing sixty-eight vendor disbursements, the following exceptions were noted:

- Eleven exceptions were noted where the check was not signed by the appropriate personnel. These checks were Housing Choice Voucher Section 8 checks which were not signed by the City, even though this program is under the City's authority.
- One exception was noted in which the check issued to the vendor did not have an appropriate number of signatures.
- Eighteen exceptions were noted in which the invoice was not initialed for approval by the appropriate personnel.
- Three exceptions were noted in which the charge did not appear to be necessary and reasonable. Two of the charges were late fees and the other charge was for a duplicate reimbursement.
- Four exceptions were noted in which the amount of the check was not properly recorded in the correct general ledger account number.

**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

- Three exceptions were noted where the charge did not contain supporting documentation for the expenditure. The expenditure was paid based on a statement and not the original invoice.
- Twenty-two exceptions were noted in which the invoice was not paid timely.

In the test of five vendor files, it was noted one invoice was paid from a copy and one vendor file contained invoices that were being prepared in-house.

The following exceptions were noted in the test of seven credit card statements:

- One exception was noted in which there was no supporting documentation for the credit card charge and management could not give a reason for the expenditures.
- Three exceptions were noted where the charges did not appear to be reasonable and necessary for the City. Two of these charges related to sales tax on purchases. One charge was for meal expenditures that had already been reimbursed to the employee as a per diem.

In a test of ten checks for travel reimbursement, it was noted that five checks for travel reimbursement were not in accordance with the City's travel policy. Meals and mileage were reimbursed at incorrect rates for four checks and one of the reimbursement checks did not appear to be for City business.

In a test of fifteen payroll checks, the following was noted:

- One exception was noted in which the personnel file did not contain proper proof of existence.
- Nine exceptions were noted in which the hourly rate paid to the employees did not contain documentation of approval by appropriate personnel.
- Four exceptions were noted in which the expenditure was coded to the wrong general ledger account.

In reviewing of one month's direct deposit summary reports, it was noted that four of the five tested did not have the proper approval by the mayor.

Through testing and discussion with management concerning property and equipment it was noted that controls are not in place to properly accounting for additions and deletions to capital assets.

Nine checks were selected for testing of maintenance, repairs and supply accounts. It was noted that one of the checks was not added to the capital asset listing as a current year addition.

During the audit, the auditor had to make material audit adjustments to record and/or correct transactions that occurred during the course of business throughout the fiscal year for the City.

Through discussion with management, the City is presenting Financial data to the Council; however, we were unable to test the accuracy of the financial statements presented to the council, due to the City not maintaining all financial data presented.

**Possible asserted effect (cause and effect):**

**Cause:** The auditor was unable to determine the cause.

**Effect:** Internal controls over accounting functions are weakened.



**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Recommendations to prevent future occurrences** Bank reconciliations should be performed monthly within reasonable time of receiving the bank statement, which is normally the following month. All vendor disbursements in the future should be paid in a timely manner and recorded properly. The City should require that supporting documentation is turned in to accounting for all credit card charges. All charges should be properly reviewed to ensure purchases are allowable and reasonable as well as payments should be made timely to avoid late fees. The City should also have documentation in personnel files of the approved salary including the signature of the individual who approved the salary. Furthermore, the Mayor should sign off direct deposit summaries each pay period. Quality control procedures should be established for some assurance that job functions are being performed adequately. In addition, all voided check should be accounted for and properly defaced to prevent further negotiation.

**Reference # and title:**                    **09-F2**                    **Inadequate Controls over the Water & Sewer Department**

**Entity-wide or program/department specific:** This finding relates to the Water and Sewer department.

**Criteria or specific requirement:** Good internal controls ensure that account balances are correctly stated, customer accounts not paid by the required date are disconnected and necessary steps taken to collect all monies owed to the City for services rendered. Good internal controls also require that there is adequate cash handling.

**Condition found:** In reviewing the security deposit for the water department, it was noted that a prior period adjustment had to be made to increase the liability for customer security deposits. Deposits were not accurately posted to the accounting records. In reviewing the accounts receivable listing for both water and sewer customers, it was noted that the City's software incorrectly stated the amount of the receivables on the City's balance sheet accounts. A prior period adjustment was made on the sewer department due to overstatement to reflect the correct balance at year-end.

In reviewing delinquent accounts and discussing collection procedures with management, it appears that procedures are not adequate to control the amount of delinquent accounts. Customers who do not pay the full bill will ask for an extension and it is usually granted until the end of the month. If no payments are made, services remain connected until their groups delinquency report is ran. In a test of twenty utility billings, it was noted that nine customer's bills were not paid timely and services remained connected without payment plans being issued or payments resolved.

In a surprise cash count at the Water and Sewer Department, it was noted that cash drawers are being incorrectly balanced against receipts from customers daily.

**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Possible asserted effect (cause and effect):**

**Cause:** This city does not have checks and balances in place.

**Effect:** The City's account balances for security deposits and accounts receivable were incorrectly stated. The City's internal controls are weakened over cash collections and over processing delinquent accounts.

**Recommendations to prevent future occurrences** Management should establish procedures to ensure that delinquent customers are properly and timely processed to set up a payment plan or disconnect the services provided. Additionally, check and balances should be established to ensure the City's reports are accurate and agree to the general ledger.

**Reference # and title:**    **09-F3**            **Controls over Timely Deposits**

**Entity-wide or program/department specific:** This finding relates to the Police Department and General Fund.

**Criteria or specific requirement:** Proper internal controls over cash management require that adequate safeguards are in place and enforced to protect the receipts of tickets. This includes ensuring that all receipts from fines collected are deposited in a timely manner (within 3 business days from receipt.) All transactions should be substantiated with supporting documentation. The support should indicate that the transactions are reasonable and accurate.

**Condition found:** In a test of nineteen police tickets, it was noted that eight of the nineteen tickets tested were not deposited within three business days after receipt.

In a test of twenty-five receipts issued at City Hall, it was noted that thirteen receipts were deposited untimely.

**Possible asserted effect (cause and effect):**

**Cause:** The auditor was unable to determine the cause.

**Effect:** Internal controls over timeliness of deposits are weakened.

**Recommendations to prevent future occurrences** The City should establish procedures to ensure that all deposits are deposited within three business days of the receipt of the funds.

**Reference # and title:**    **09-F4**            **Inadequate Controls over Section 8 Housing Choice Voucher Program**

**Entity-wide or program/department specific:** This finding relates to the Section 8 Housing Choice Voucher program.

**Criteria or specific requirement:** The City must re-examine family income and composition at least once every 12 months and adjust the housing assistance payment (HAP) as necessary using the documentation from third party verifications (24CFR section 982.516). As a condition of admission or continued occupancy, the resident and other family members must provide necessary information, documentation, and releases for the City to verify income

**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

eligibility (24CFR sections, 5.230, 5.609, and 982.516). The City is required to submit Form 50058 electronically to HUD each time the City completes an admission, annual reexamination, interim reexamination, portability move in, other changes of unit for a family. Several line items on this form must agree to documentation in the file (24CFR part 908 and 24CFR section 982.158). For both family income examinations and reexaminations, the City must obtain and document in the family file third party verification of reporting family income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income or income based rent (24CFR section 982.516). The City must determine income eligibility and calculate the resident's rent payment using the documentation from third party verifications in accordance with 24CFR part 5 subpart F (24CFR section 5.601 and 24CFR sections 982.201, 982.515 and 982.516).

Part of HUD's reporting requirements are to submit a completed VMS (Voucher Management System), report monthly. This report indicates the number of vouchers issued, the amount of HAP (Housing Assistance Payments), the number of portable units administered, the amount of HAP for portable units and the amount of administrative expense during that particular month.

According to 24 CFR 982.507, the City must determine if the initial rent to owner is a reasonable rent before the lease is approved under the Section 8 Housing Choice Voucher program. In addition, if the landlord requests a change in rent during the year, the City must also determine if the new rent change is considered reasonable. In order to determine reasonable rent, the unit must be compared to rent for other comparable unassisted units based on location, quality, size, unit type, etc. The industry practice is to compare the unit to at least three unassisted units that fall under the same criteria and amenities; and the rent comparability should not be older than twenty-four months.

Effective internal controls over expenditures are to ensure that expenses are accurate and accounted for as being a proper charge for the Section 8 program. Questioned expenditures should be reviewed to determine the accuracy of the charge before payment is made to the vendor. If the charge is not for the Section 8 program, then the charge should be rebutted with the vendor.

**Condition found:** In a test of ten tenant files, the following exceptions were noted:

- One exception noted in which the resident's application could not be located.
- Three exceptions noted where the annual recertification could not be located.
- Six exceptions noted in which supporting documentation did not match information on tenant's 50058.
- Six exceptions noted where third party verification was not performed on tenant's income.
- Two exceptions noted in which the resident's income was not calculated correctly.
- Ten exceptions in which a signed HUD form 9886 (authorization for release of information) could not be located.
- Five exceptions noted where the annual inspection could not be located.
- One exception where the landlord on HUD form 50058 did not agree to HAP register.
- One exception noted in which rent reasonableness was not performed.

Through testing four VMS (Voucher Management System) reports, three months had incorrect amounts submitted for administrative expenditures and two months had incorrect amounts submitted for HAP payments administered.

Through conversation with Section 8 Executive Director, it was determined that no documentation is being kept concerning rent reasonableness. Although he stated that, he reviews advertisements to determine the reasonableness of rents being charged, no documentation is maintained to verify the accuracy of rent reasonableness.

**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

Through review of the general ledger for the Section 8 account, it was noted several ACH withdrawals to AT&T for cellular phone charges. No documentation could be provided to determine that these charges were for the Section 8 department.

**Possible asserted effect (cause and effect):**

**Cause:** The City does not have procedures in place for monitoring of compliance.

**Effect:** The City may not meet all requirements regarding the Section 8 Housing Choice Voucher Program.

**Recommendations to prevent future occurrences** The City should establish procedures to ensure that all staff is adequately trained and familiar with all requirements of Section 8 Housing Choice Vouchers Program. They should also establish monitoring procedures to ensure the requirements are met. Internal controls should be strengthened to ensure charges to the Section 8 program are accurate and adequate for the implementation of the program.

**Reference # and title:**            **09-F5**            **Budget Violation**

**Entity-wide or program/department specific:** This finding is entity wide.

**Criteria or specific requirement:** The Council is required to pass a budget ordinance in accordance with the Louisiana Government Budget Act. Furthermore, the adoption of the budget should occur no later than fifteen days prior to the beginning of the fiscal year according to R.S. 39:1306. Public Notices must be posted in an official journal giving the public at least a ten day advance notice of the public meeting. Louisiana Revised Statute 39:1310 states "...if there has been a change in operations upon which the original adopted budget was developed, the governing authority shall adopt a budget amendment in an open meeting to reflect such change."

**Condition found:** The budget for the 2008-2009 fiscal year was approved at the March 2, 2009 meeting, which was past the required deadline for adoption of the budget. The City posted a public notice in an official journal; however, the City was unable to produce a copy of the ad to determine if the public was given ten days notice of the public meeting to approve the budget. The total expenditures at fiscal year-end were 5% more than budgeted expenditures and the council did not adopt an amended budget.

**Possible asserted effect (cause and effect):**

**Cause:** The auditor was unable to determine the cause.

**Effect:** The City operated most of the year without an approved original budget and did not have an approved amended budget causing them to be in violation of LA RS 39:1306.

**Recommendations to prevent future occurrences** Management should establish procedures to ensure that a budget is adopted at least fifteen days prior to the start of the fiscal year and that an amended budget is prepared and approved by the council before fiscal year end.

**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
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**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Reference # and title:**                **09-F6**                **Donations of Public Funds**

**Entity-wide or program/department specific:** This finding is entity wide.

**Criteria or specific requirement:** According to Article 7, Section 14 of the Louisiana Constitution, "...any political subdivision shall not loan, pledge, or donate to or for any person, association, or corporation, public or private, any funds or items of value."

**Condition found:** In reviewing the general ledger, it was noted that \$3,689 in public funds had been given to private and public organizations, in which these organizations do not appear to fall within the exceptions allowed within Article 7, Section 14 of the Louisiana Constitution.

**Possible asserted effect (cause and effect):**

**Cause:** The auditor was unable to determine the cause.

**Effect:** The City may be in violation of Article 7, Section 14 that prohibits donation of public funds.

**Recommendations to prevent future occurrences:** Management should establish procedures to ensure that they are adhering to the Louisiana Constitution Article 7, Section 14.

**Reference # and title:**                **09-F7**                **Inadequate Controls over Occupational Licenses**

**Entity-wide or program/department specific:** This finding relates to the General Fund.

**Criteria or specific requirement:** In accordance with Louisiana Revised Statute 47:341 the City has a right to impose an occupational license tax on any person conducting business in the City. The application instructions indicate that each person pursuing any trade, profession, vocation, calling, or business should complete a form for each municipality or parish in which he/she maintains a business location. Additionally, if the City exempts a business from paying occupational licenses, then the City is required to exempt the entire class of businesses.

**Condition found:** In a test of thirty-three vendors listed on the City's occupational license listing, it was noted that twelve of the vendors did not send their second request for verification of occupational license remitted back and due to remitting no occupational taxes, no further testing could be performed. The City does not have procedures in place to ensure businesses are paying their occupational license tax. Some vendors are showing a zero payment, yet it appears they should be paying at least some occupational license tax amount.

**Possible asserted effect (cause and effect):**

**Cause:** The City is not maintaining accountability of occupational license taxes.

**Effect:** The City could lose revenue by not maintaining accountability of occupational license taxes and this weakens internal controls over occupational and professional licenses.

**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Recommendations to prevent future occurrences:** The City should establish a system of maintaining records of professional and occupational licenses. This should include the ability to print a list of delinquent filers. There should also be procedures established to keep the list updated. Vendors who do not submit occupational license taxes should be verified to ensure they do not owe the tax.

**Reference # and title:**                **09-F8**                **Late Submission of Audit Report to Legislative Auditor**

**Entity-wide or program/department specific:** This finding is entity wide.

**Criteria or specific requirement:** Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The City's audit report should be submitted to the Louisiana Legislative Auditor by December 31<sup>st</sup> each year.

**Condition found:** The City's audit report for the fiscal year ending June 30, 2009 was not completed within the six month deadline as per Louisiana Revised Statute 24:513A (5) (a) (i).

**Possible asserted effect (cause and effect):**

**Cause:** The City did not have their fiscal year end financials ready for the audit to be performed until March of 2010, which is after the six month Louisiana Revised Statute requirement.

**Effect:** The City did not adhere to the requirements set forth by Louisiana Revised Statute.

**Recommendations to prevent future occurrences:** Procedures should be established by management to ensure that financials and trial balances are prepared timely in order to conduct the audit within the six month deadline.

**Reference # and title:**                **09-F9**                **Late Submission of the Audit Report to the USDA**

**Entity-wide or program/department specific:** This finding is specific to the Water and Waste Disposal Systems for Rural Communities.

**Criteria or specific requirement:** The United States Department of Agriculture requires that the audit report for the City be submitted within 150 days after their fiscal year end June 30<sup>th</sup> each year.

**Condition found:** The City's audit report for the fiscal year ending June 30, 2009 was not completed within 150 days after fiscal year end as required.

**Possible asserted effect (cause and effect):**

**Cause:** The City did not have their fiscal year end financials ready for the audit to be performed until March of 2010, which is after the 150 day requirement set forth by the USDA.

**Effect:** The City did not adhere to the requirements set forth by USDA in regards to submission of the audit report.

**City of Tallulah**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Recommendations to prevent future occurrences:** Procedures should be established by management to ensure that financials and trial balances are prepared in a timely manner to ensure completion and filing of the audit report with USDA by November 30<sup>th</sup> of each year.

**City of Tallulah**

**OTHER INFORMATION**



**City of Tallulah**  
**Summary of Prior Year Audit Findings**  
**June 30, 2009**

**Reference # and title:**            **08-F1**            **Inadequate Accounting Controls**

**Year of Origination:** This finding originated fiscal year ended June 30, 2008.

**Entity-wide or program/department specific:** This finding is entity wide.

**Condition found:** In order to ensure that there are adequate internal controls, incompatible functions should not be performed by one person. Separation of duties helps ensure that any discrepancies will be noted in the normal course of business.

Good internal controls also require that bank reconciliations be performed timely, to ensure that unexplained differences are discovered and resolved quickly. Additionally, information used to develop accounting records should be readily available for review and should mirror the accounting records. Periodic reviews should be performed to ensure that all transactions relating to the fiscal year have been recorded in the correct accounts and entered in the correct amount. Effective internal controls include vendor disbursements having original documentation (invoices, receipts, etc.), purchase order when required by policy, proper approval, supported by evidence of receipt of goods or services, and should be paid timely. Good internal controls over payroll records require that proper documentation be included in payroll records to support an employee's employability status and to support an employee's salary/hourly rate. Payroll records should include all employee authorizations for direct deposits.

There is not adequate separation of duties over cash since the City Clerk prepares accounts payable checks, performs the payroll direct deposit wire transfers to the bank, and also prepares the bank reconciliations.

During the review of accounting records, it was noted that bank reconciliations were not prepared in a timely manner. It appears that the two reconciliations tested reconciled seven to eight months after month end.

Numerous audit adjustments were made to record or correct transactions.

The minutes are typed and saved on the computer but not printed, signed, and filed in the official minute book until year end. In addition, the Lawrason Act R.S. 33:406 D.(1) states that the municipal clerk should keep a book entitled "Ordinances" in which all original ordinances that have been adopted by the Board are filed immediately after passage and a note should be attached which references the date of the enactment and the page of the minutes containing the adoption. The ordinance book was full and a new book had not been ordered so the ordinances were saved on the computer.

When testing sixty-one vendor disbursements, the following exceptions were noted:

- Six exceptions were noted in which the invoice was not paid timely. Three of the six exceptions were the City exceeded the three day requirement for LCDBG grant in which the day lapse ranged from seven to forty-five days from the time payment was received by the City to the time disbursement was made. The remaining three exceptions were paid between forty-three to seventy-two days past invoice date.
- Two exceptions noted were charged to lease equipment when the expense was for professional services.

A total of fifteen payroll checks were tested for various attributes. Of the fifteen checks tested:

- One exception was noted in which the hours paid (96 hours) did not agree to time sheet (92 hours).
- One exception was noted in which the payment to a fireman did not include payments for the fire runs.
- Three exceptions were noted in which the pay rate could not be traced to a approved pay rate authorization form.
- Two exceptions were noted in which the time sheet was not signed by the supervisor.

**City of Tallulah**  
**Summary of Prior Year Audit Findings**  
**June 30, 2009**

The following exceptions were noted in the test of three credit card statements:

- Three exceptions were noted in which there was no supporting documentation for credit card charges.
- One exception was noted in which the charge was a donation in which the City paid for a School Board expense.
- One exception was noted in which there were late charges on the credit card statement.

A sample of twenty direct deposit summaries were selected to determine whether they were being approved by the mayor. Of the twenty selected, the mayor did not approve three of the direct deposit summaries.

In test of check registers, it was noted that three of the checks were reflected as being voided on the register; however when viewed the voided checks, it was noted that checks were not properly defaced.

Blank checks are not maintained in locked and secure area when not being used.

**Corrective action planned:** See current year finding 09-F1.

**Reference # and title:**            **08-F2**            **Accounting Records on Investments not Maintained Properly**

**Year of Origination:** This finding originated fiscal year ended June 30, 2004.

**Entity-wide or program/department specific:** This finding is entity wide.

**Condition found:** Bond covenants require that full and correct accounting records are maintained for the sinking fund account, reserve account, and contingency fund.

The City does not reconcile the investment accounts each month for the sinking fund account, reserve account, or the contingency fund account at present.

**Corrective action planned:** See current year finding 09-F1.

**Reference # and title:**            **08-F3**            **Possible Violations of Cell Phone Policy**

**Year of Origination:** This finding originated fiscal year ended June 30, 2004.

**Entity-wide or program/department specific:** This finding is entity wide.

**Condition found:** The City adopted a cell phone policy on February 24, 2005 which states in part "the Council will determine who will possess a city cell phone" and also, "the Council will monitor all cell phone usage".

While testing expenditures for cell phone usage, it was noted that cell phone use is not monitored on a monthly basis. Cell phones charges for the entire fiscal year amounted to \$17,021. A motion was passed in the May 24, 2007 minutes requesting that all phones be taken up except the department heads and that a listing of all cell phones by Department be provided to the Council at the next Council meeting to determine which employees should have cell phones. In reviewing the minutes, there was no discussion on this matter in the next meeting or any subsequent meeting.

**City of Tallulah**  
**Summary of Prior Year Audit Findings**  
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**Corrective action taken:** This finding was cleared up in the current year. Management and supervisors monitored cell phone usage during the audited fiscal year.

**Reference # and title:**           **08-F4**           **Professional and Occupational Licenses**

**Year of Origination:** This finding originated fiscal year ended June 30, 2008.

**Entity-wide or program/department specific:** This finding relates only to the General Fund.

**Condition found:** In accordance with R.S. 47:341 the City has a right to impose an occupational license tax on any person conducting business in the City. The application instructions indicate that each person pursuing any trade, profession, vocation, calling, or business should complete a form for each municipality or parish in which he/she maintains a business location.

Presently, the City has a listing of occupational licenses which includes a history of payments for several years. The City does not presently have a listing of delinquent filers. There are no procedures in place to remove businesses that are no longer in business or to add new businesses to the list.

**Corrective action planned:** See current year finding 09-F7.

**Reference # and title:**           **08-F5**           **Delinquent Customer Accounts in Water & Sewer Department**

**Year of Origination:** This finding originated fiscal year ended June 30, 2007.

**Entity-wide or program/department specific:** This finding relates to the Water and Sewer department.

**Condition found:** Good internal controls require that all customer accounts not paid by the required date should be disconnected and necessary steps taken to collect all monies owed to the City for services. Policies should be established and enforced.

In reviewing delinquent accounts and discussing collection procedures with the utility department, it appears there is no written policy regarding delinquent accounts. Customers who do not pay the full bill will ask for an extension and it is usually granted. There are no written payment plans for customers that are several months past due.

**Corrective action planned:** See current year finding 09-F2.

**Reference # and title:**           **08-F6**           **Budget Violation**

**Year of Origination:** This finding originated fiscal year ended June 30, 2007.

**Entity-wide or program/department specific:** This finding is entity wide.

**Condition found:** The Council is required to pass a budget ordinance in accordance with the Louisiana Government Budget Act. Furthermore, the adoption of the budget should occur no later than fifteen days prior to the beginning of the fiscal year according to R.S. 39:1306. The budget for the 2007-2008 fiscal year was approved at the April 16,

**City of Tallulah**  
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2008 meeting which was past the required deadline for adoption of the budget. Council members made several oral amendments to the budget to decrease the budgeted salaries of the Mayor, City Clerk, and Police Chief. The budget, including the oral amendments, was approved.

**Corrective action planned:** See current year finding 09-F5.

**Reference # and title:**            **08-F7**            **Internal Control Weakness**

**Year of Origination:** This finding originated fiscal year ended June 30, 2008.

**Entity-wide or program/department specific:** This finding relates to the police department

**Condition found:** Good internal controls require that adequate safeguards be in place and enforced over the ticket process. This includes maintaining logs of ticket books issued to police officers, maintaining records of tickets issued, recording collection of ticket fines, and depositing fines collected in a timely manner. All transactions should be reasonable and adequately substantiated with supporting documentation.

When reviewing the ticket collection process it was noted that ticket receipts were not being kept in a secure location once brought to accounting for deposit. Also noted is that once ticket receipts are turned in to accounting they are not deposited within a reasonable time. In addition, the police staff did not always count and document the amount of ticket receipts being released to accounting for deposit.

When testing the accountability of receipts, the following was noted:

- A set of July 2007 receipts were not located, which totals approximately \$1,000. These receipts could not be traced to a deposit. The Police Department indicated that they were not aware of this until auditor's testing.
- July 2007 and August 2007 receipts in the amount of \$2,177 were deposited March 27, 2009.
- September 2007 and October 2007 receipts in the amount of \$3,211 were deposited March 27, 2009.
- Another set of December 2007 receipts were not available to view for testing. The City indicated that some of the December receipts and support estimated to be \$1,200 were turned over to state police for investigation.

When testing the issuance and outcome of tickets, the following was noted:

- One exception was noted in which the City was unable to locate the ticket and support for outcome of the ticket.
- Three exceptions were noted in which the ticket was either not paid or not paid in full and no further action by the police department was taken.
- One exception was noted in which the ticket was underpaid, but was considered paid in full.

**Corrective action planned:** See current year finding 09-F3.

**Reference # and title:**            **08-F8**            **Donation of Public Funds**

**Year of Origination:** This finding originated fiscal year ended June 30, 2007.

**Entity-wide or program/department specific:** This finding is entity wide.

**City of Tallulah**  
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**Condition found:** According to Article 7, Section 14 of the Louisiana Constitution, any political subdivision shall not loan, pledge, or donate to or for any person, association, or corporation, public or private, any funds or items of value.

In reviewing the general ledger, it was noted that \$3,688 in public funds had been given to private and public organizations, in which these organizations do not appear to fall within the exceptions allowed within Article 7, Section 14 of the Louisiana Constitution. This was a prior year finding and was discussed with City employees at the exit conference in the prior year. No donations were noted in the current year after the exit conference last year which was in December 2007.

**Corrective action planned:** See current year finding 09-F6

**Reference # and title:**            **08-F9**            **Late Submission of Audit Report to Legislative Auditor**

**Year of Origination:** This finding originated fiscal year ended June 30, 2007.

**Entity-Wide or program /department specific:** This is entity-wide.

**Condition found:** Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year".

The City's audit for the year ended June 30, 2009 was not completed within six months of the close of the City's year end.

**Corrective action planned:** See current year finding 09-F8.

**Reference # and title:**            **08-F10**            **Cash Management**

**Year of Origination:** This finding originated fiscal year ended June 30, 2008.

**Federal program and specific federal award identification:** This finding relates to Community Development Block Grant, CFDA#14.228, from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana for Federal Award year 2006.

**Condition found:** According to the Financial Management Manual all grantees must generally disburse all LCDBG programs funds received within three days of receipt. Additionally, all disbursements should be properly recorded and paid out of the applicable fund.

In a sample of four cash disbursements the following were noted:

- Three exceptions were noted in which the payment was made past the three day requirement of receipt of funds. The payment day lapse ranged from seven to forty-five days from the day of receipt of funds.
- One exception was noted in which the invoice pertained to the LCDBG fund yet was charged to the USDA fund. This error was later corrected by City employees.

**Corrective action taken:** The City received an immaterial amount of federal funding for this program. Therefore, this finding was considered to be cleared for the audited fiscal year.

**City of Tallulah**  
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**Reference # and title:**           **08-F11**           **Late Submission of the Audit Report to the USDA**

**Year of Origination:** This finding originated fiscal year ended June 30, 2004.

**Federal program and specific federal award identification:** This finding relates to Water and Waste Disposal Systems for Rural Communities, CFDA# 10.760, from Federal agency direct program: United States Department of Agriculture for Federal Award year 2006.

**Condition found:** While LSA-R.S. 24:513A (5)(a) states: "Audits shall be completed within six months of the close of the entity's fiscal year.", the United States Department of Agriculture requires the audit for the City be submitted within 150 days after fiscal year end of June 30 each year.

The City's audit for the year ended June 30, 2009 was not submitted to the USDA within the 150 days after fiscal year end as required.

**Corrective action planned:** See current year finding 09-F9.

**City of Tallulah**  
**Corrective Action Plan for Auditor's Current Year Findings**  
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**Reference # and title:**            **09-F1**            **Insufficient Accounting Controls**

**Entity-wide or program/department specific:** This finding is entity wide.

**Condition:** In order to ensure that there are adequate internal controls, one person should not perform incompatible functions. Separation of duties helps ensure that any discrepancies will be noted in the normal course of business.

Good internal controls also require that bank reconciliations be performed timely, to ensure that unexplained differences are discovered and resolved quickly. Additionally, information used to develop accounting records should be readily available for review and should mirror the accounting records. Periodic reviews should be performed to ensure that all transactions relating to the fiscal year have been recorded in the correct accounts and entered in the correct amount. Effective internal controls include vendor disbursements having original documentation (invoices, receipts, etc.), purchase order when required by policy, proper approval, supported by evidence of receipt of goods or services, and should be paid timely. Good internal controls over payroll records require that proper documentation be included in payroll records to support an employee's employability status and to support an employee's salary/hourly rate. Payroll records should include all employee authorizations for direct deposits. In order for internal controls to be effective policies and procedures should be created and approved by the board, to handle every day occurrences over the ordinary course of business.

There is not an adequate separation of duties over cash disbursements and payroll. The City Clerk prints accounts payable checks, prepares the bank reconciliations and all payroll functions.

During the test of bank reconciliations, it was determined that only one bank account could be tested due to other reconciliations were not dated or signed to determine timeliness. Of the one bank account, two reconciliations tested were not prepared in a timely manner.

Through review and discussion with management, it was noted that the City does not have an established procurement policy, credit card policy, capitalization policy, information systems policy, contingency and recovery policy, cell phone policy and travel policy.

Although the City maintains the monthly activity of investments on a spreadsheet, it was determined that the City does not record the monthly activity of their investments in the general ledger.

When testing sixty-eight vendor disbursements, the following exceptions were noted:

- Eleven exceptions were noted where the check was not signed by the appropriate personnel. These checks were Housing Choice Voucher Section 8 checks which were not signed by the City, even though this program is under the City's authority.
- One exception was noted in which the check issued to the vendor did not have an appropriate number of signatures.
- Eighteen exceptions were noted in which the invoice was not initialed for approval by the appropriate personnel.
- Three exceptions were noted in which the charge did not appear to be necessary and reasonable. Two of the charges were late fees and the other charge was for a duplicate reimbursement.
- Four exceptions were noted in which the amount of the check was not properly recorded in the correct general ledger account number.
- Three exceptions were noted where the charge did not contain supporting documentation for the expenditure. The expenditure was paid based on a statement and not the original invoice.

**City of Tallulah**  
**Corrective Action Plan for Auditor's Current Year Findings**  
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- Twenty-two exceptions were noted in which the invoice was not paid timely.

In the test of five vendor files, it was noted one invoice was paid from a copy and one vendor file contained invoices that were being prepared in-house.

The following exceptions were noted in the test of seven credit card statements:

- One exception was noted in which there was no supporting documentation for the credit card charge and management could not give a reason for the expenditures.
- Three exceptions were noted where the charges did not appear to be reasonable and necessary for the City. Two of these charges related to sales tax on purchases. One charge was for meal expenditures that had already been reimbursed to the employee as a per diem.

In a test of ten checks for travel reimbursement, it was noted that five checks for travel reimbursement were not in accordance with the City's travel policy. Meals and mileage were reimbursed at incorrect rates for four checks and one of the reimbursement checks did not appear to be for City business.

In a test of fifteen payroll checks, the following was noted:

- One exception was noted in which the personnel file did not contain proper proof of existence.
- Nine exceptions were noted in which the hourly rate paid to the employees did not contain documentation of approval by appropriate personnel.
- Four exceptions were noted in which the expenditure was coded to the wrong general ledger account.

In reviewing of one month's direct deposit summary reports, it was noted that four of the five tested did not have the proper approval by the mayor.

Through testing and discussion with management concerning property and equipment it was noted that controls are not in place to properly accounting for additions and deletions to capital assets.

Nine checks were selected for testing of maintenance, repairs and supply accounts. It was noted that one of the checks was not added to the capital asset listing as a current year addition.

During the audit, the auditor had to make material audit adjustments to record and/or correct transactions that occurred during the course of business throughout the fiscal year for the City.

Through discussion with management, the City is presenting Financial data to the Council; however, we were unable to test the accuracy of the financial statements presented to the council, due to the City not maintaining all financial data presented.

**Corrective action planned:** Employees in the Mayor's office will strive to create a work climate in which separation of duties shall exist, bank reconciliations are done timely, and regular reviews of the general ledger are made. Furthermore, correct emphasis will be placed on proper accounting practices in that the office shall put forth formal procedures concerning procurements, credit card usage, asset capitalization criteria, and information systems policy. Proper procedures for all purchases shall be practiced, and proper documentation for all cash outlays will be maintained. Adherence to the City's travel policy will be rigorous, and personnel records shall be updated regularly. The City's investment accounting will be prepared monthly with all journal entries being made monthly.



**City of Tallulah**  
**Corrective Action Plan for Auditor's Current Year Findings**  
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**Person responsible for the above corrective actions:**

Gerald Odom, City Clerk                      Phone: (318) 574-0964  
City of Tallulah                                      Fax: (318) 574-2773  
204 North Cedar  
Tallulah, LA 71282

**Anticipated completion date:** Immediately.

**Reference # and title:**                      **09-F2**                      **Inadequate Controls over the Water & Sewer Department**

**Entity-wide or program/department specific:** This finding relates to the Water and Sewer department.

**Condition:** Good internal controls ensure that account balances are correctly stated, customer accounts not paid by the required date are disconnected and necessary steps taken to collect all monies owed to the City for services rendered. Good internal controls also require that there is adequate cash handling.

In reviewing the security deposit for the water department, it was noted that a prior period adjustment had to be made to increase the liability for customer security deposits. Deposits were not accurately posted to the accounting records.

In reviewing the accounts receivable listing for both water and sewer customers, it was noted that the City's software incorrectly stated the amount of the receivables on the City's balance sheet accounts. A prior period adjustment was made on the sewer department due to overstatement to reflect the correct balance at year-end.

In reviewing delinquent accounts and discussing collection procedures with management, it appears that procedures are not adequate to control the amount of delinquent accounts. Customers who do not pay the full bill will ask for an extension and it is usually granted until the end of the month. If no payments are made, services remain connected until their groups delinquency report is ran. In a test of twenty utility billings, it was noted that nine customer's bills were not paid timely and services remained connected without payment plans being issued or payments resolved.

In a surprise cash count at the Water and Sewer Department, it was noted that cash drawers are being incorrectly balanced against receipts from customers daily.

**Corrective action planned:** Timely collections on water and sewer billings will be practiced, and those accounts in arrears will be disconnected promptly unless arrangements can be made that will be carried forth as agreed. The City's software provider is working on the accounts receivable discrepancy that required an adjustment for the current fiscal year. The problem does not concern current receivable balances but the combination of current and aged receivable balances. All cash discrepancies in cashing out each day will be noted in daily deposits not matter how small.

**Person responsible for the above corrective actions:**

Gerald Odom, City Clerk                      Phone: (318) 574-0964  
City of Tallulah                                      Fax: (318) 574-2773  
204 North Cedar  
Tallulah, LA 71282

**Anticipated completion date:** Immediately.

**City of Tallulah**  
**Corrective Action Plan for Auditor's Current Year Findings**  
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**Reference # and title:**      **09-F3**      **Controls over Timely Deposits**

**Entity-wide or program/department specific:** This finding relates to the Police Department and General Fund.

**Condition:** Proper internal controls over cash management require that adequate safeguards are in place and enforced to protect the receipts of tickets. This includes ensuring that all receipts from fines collected are deposited in a timely manner (within 3 business days from receipt.) All transactions should be substantiated with supporting documentation. The support should indicate that the transactions are reasonable and accurate.

In a test of nineteen police tickets, it was noted that eight of the nineteen tickets tested were not deposited within three business days after receipt.

In a test of twenty-five receipts issued at City Hall, it was noted that thirteen receipts were deposited untimely.

**Corrective action planned:** To ensure proper internal control over Police Department cash management, all deposits shall be made timely, i.e., no more than three work days after receipt. Also, proper safeguards will be enforced to protect receipt of tickets.

**Person responsible for the above corrective actions:**

Gerald Odom, City Clerk	Phone: (318) 574-0964
City of Tallulah	Fax: (318) 574-2773
204 North Cedar	
Tallulah, LA 71282	

**Anticipated completion date:** Immediately.

**Reference # and title:**      **09-F4**      **Inadequate Controls over Section 8 Housing Choice Voucher Program**

**Entity-wide or program/department specific:** This finding relates to the Section 8 Housing Choice Voucher program.

**Condition:** The City must re-examine family income and composition at least once every 12 months and adjust the housing assistance payment (HAP) as necessary using the documentation from third party verifications (24CFR section 982.516). As a condition of admission or continued occupancy, the resident and other family members must provide necessary information, documentation, and releases for the City to verify income eligibility (24CFR sections, 5.230, 5.609, and 982.516). The City is required to submit Form 50058 electronically to HUD each time the City completes an admission, annual reexamination, interim reexamination, portability move in, other changes of unit for a family. Several line items on this form must agree to documentation in the file (24CFR part 908 and 24CFR section 982.158). For both family income examinations and reexaminations, the City must obtain and document in the family file third party verification of reporting family income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income or income based rent (24CFR section 982.516). The City must determine income eligibility and calculate the resident's rent payment using the documentation from third party verifications in accordance with 24CFR part 5 subpart F (24CFR section 5.601 and 24CFR sections 982.201, 982.515 and 982.516).

**City of Tallulah**  
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Part of HUD's reporting requirements are to submit a completed VMS (Voucher Management System), report monthly. This report indicates the number of vouchers issued, the amount of HAP (Housing Assistance Payments), the number of portable units administered, the amount of HAP for portable units and the amount of administrative expense during that particular month.

According to 24 CFR 982.507, the City must determine if the initial rent to owner is a reasonable rent before the lease is approved under the Section 8 Housing Choice Voucher program. In addition, if the landlord requests a change in rent during the year, the City must also determine if the new rent change is considered reasonable. In order to determine reasonable rent, the unit must be compared to rent for other comparable unassisted units based on location, quality, size, unit type, etc. The industry practice is to compare the unit to at least three unassisted units that fall under the same criteria and amenities; and the rent comparability should not be older than twenty-four months.

Effective internal controls over expenditures are to ensure that expenses are accurate and accounted for as being a proper charge for the Section 8 program. Questioned expenditures should be reviewed to determine the accuracy of the charge before payment is made to the vendor. If the charge is not for the Section 8 program, then the charge should be rebutted with the vendor.

In a test of ten tenant files, the following exceptions were noted:

- One exception noted in which the resident's application could not be located.
- Three exceptions noted where the annual recertification could not be located.
- Six exceptions noted in which supporting documentation did not match information on tenant's 50058.
- Six exceptions noted where third party verification was not performed on tenant's income.
- Two exceptions noted in which the resident's income was not calculated correctly.
- Ten exceptions in which a signed HUD form 9886 (authorization for release of information) could not be located.
- Five exceptions noted where the annual inspection could not be located.
- One exception where the landlord on HUD form 50058 did not agree to HAP register.
- One exception noted in which rent reasonableness was not performed.

Through testing four VMS (Voucher Management System) reports, three months had incorrect amounts submitted for administrative expenditures and two months had incorrect amounts submitted for HAP payments administered.

Through conversation with Section 8 Executive Director, it was determined that no documentation is being kept concerning rent reasonableness. Although he stated that, he reviews advertisements to determine the reasonableness of rents being charged, no documentation is maintained to verify the accuracy of rent reasonableness.

Through review of the general ledger for the Section 8 account, it was noted several ACH withdrawals to AT&T for cellular phone charges. No documentation could be provided to determine that these charges were for the Section 8 department.

**Corrective action planned:** Proper action will be taken to ensure that this program is governed by all federal rules, guidelines, and procedures. Those reports due regularly such as the VMS report will be done timely as well as accurately. Required handling of each voucher case file will be performed according to federal procedural requirements, and all pertinent and essential documentation will be maintained within each file. Accounting for the program will be done timely as required.

**City of Tallulah**  
**Corrective Action Plan for Auditor's Current Year Findings**  
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**Person responsible for the above corrective actions:**

Gerald Odom, City Clerk                      Phone: (318) 574-0964  
City of Tallulah                                      Fax: (318) 574-2773  
204 North Cedar  
Tallulah, LA 71282

**Anticipated completion date:** Immediately.

**Reference # and title:**                      **09-F5**                      **Budget Violation**

**Entity-wide or program/department specific:** This finding is entity wide.

**Condition:** The Council is required to pass a budget ordinance in accordance with the Louisiana Government Budget Act. Furthermore, the adoption of the budget should occur no later than fifteen days prior to the beginning of the fiscal year according to R.S. 39:1306. Public Notices must be posted in an official journal giving the public at least a ten day advance notice of the public meeting. Louisiana Revised Statute 39:1310 states "...if there has been a change in operations upon which the original adopted budget was developed, the governing authority shall adopt a budget amendment in an open meeting to reflect such change."

The budget for the 2008-2009 fiscal year was approved at the March 2, 2009 meeting, which was past the required deadline for adoption of the budget. The City posted a public notice in an official journal; however, the City was unable to produce a copy of the ad to determine if the public was given ten days notice of the public meeting to approve the budget. The total expenditures at fiscal year-end were 5% more than budgeted expenditures and the council did not adopt an amended budget.

**Corrective action planned:** As required by the Louisiana Government Budget Act, as well as the Lawrason Act, the City will in the future adopt its fiscal budget ordinance no later than 15 days prior to current year end. Should anticipated expenses for the current year be more than 5% of budgeted amount, the City shall adopt an amended budget for the year.

**Person responsible for the above corrective actions:**

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**Anticipated completion date:** Immediately.

**Reference # and title:**                      **09-F6**                      **Donations of Public Funds**

**Entity-wide or program/department specific:** This finding is entity wide.

**Condition:** According to Article 7, Section 14 of the Louisiana Constitution, "...any political subdivision shall not loan, pledge, or donate to or for any person, association, or corporation, public or private, any funds or items of value."

**City of Tallulah**  
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In reviewing the general ledger, it was noted that \$3,689 in public funds had been given to private and public organizations, in which these organizations do not appear to fall within the exceptions allowed within Article 7, Section 14 of the Louisiana Constitution.

**Corrective action planned:** An amount of \$3,689.00 was paid for Little League athletic medical insurance coverage for the year as has been the case in the past several years. In the future, the City shall make every effort to have an agreement with other local government agencies for the expense or adopt a cooperative endeavor agreement to cover the expense and thus allay the problem.

**Person responsible for the above corrective actions:**

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**Anticipated completion date:** Immediately.

**Reference # and title:**                **09-F7**                **Inadequate Controls over Occupational Licenses**

**Entity-wide or program/department specific:** This finding relates to the General Fund.

**Condition:** In accordance with Louisiana Revised Statute 47:341 the City has a right to impose an occupational license tax on any person conducting business in the City. The application instructions indicate that each person pursuing any trade, profession, vocation, calling, or business should complete a form for each municipality or parish in which he/she maintains a business location. Additionally, if the City exempts a business from paying occupational licenses, then the City is required to exempt the entire class of businesses.

In a test of thirty-three vendors listed on the City's occupational license listing, it was noted that twelve of the vendors did not send their second request for verification of occupational license remitted back and due to remitting no occupational taxes, no further testing could be performed. The City does not have procedures in place to ensure businesses are paying their occupational license tax. Some vendors are showing a zero payment, yet it appears they should be paying at least some occupational license tax amount.

**Corrective action planned:** The City does an excellent job of occupational license billing but has found difficulty in collections of such billings. Multiple billings have not been successful nor have statements of possible actions against the business in question. Consequently, the City has contracted with an outside agency which is expert in such procedures and comes highly recommended by the Louisiana Municipal Association. This new contract has gone into effect as of May 1, 2010, and the City expects to see positive results in its occupational license collections for the coming fiscal year.

**Person responsible for the above corrective actions:**

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**City of Tallulah**  
**Corrective Action Plan for Auditor's Current Year Findings**  
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**Anticipated completion date:** Immediately.

**Reference # and title:**            **09-F8**            **Late Submission of Audit Report to Legislative Auditor**

**Entity-wide or program/department specific:** This finding is entity wide.

**Condition:** Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The City's audit report should be submitted to the Louisiana Legislative Auditor by December 31<sup>st</sup> each year.

The City's audit report for the fiscal year ending June 30, 2009 was not completed within the six month deadline as per Louisiana Revised Statute 24:513A (5) (a) (i).

**Corrective action planned:** Due to a fire at City Hall and the purchase and installation of new accounting and payroll software, the City fell behind in the timeliness of its accounting functions resulting in a late audit report which should not be a future problem since the problematic factors have been corrected.

**Person responsible for the above corrective actions:**

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Tallulah, LA 71282	

**Anticipated completion date:** Immediately.

**Reference # and title:**            **09-F9**            **Late Submission of the Audit Report to the USDA**

**Entity-wide or program/department specific:** This finding is specific to the Water and Waste Disposal Systems for Rural Communities.

**Condition:** The United States Department of Agriculture requires that the audit report for the City be submitted within 150 days after their fiscal year end June 30<sup>th</sup> each year.

The City's audit report for the fiscal year ending June 30, 2009 was not completed within 150 days after fiscal year end as required.

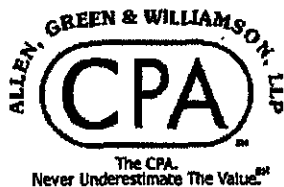
**Corrective action planned:** Due to a fire at City Hall as well as the purchase and installation of new accounting and payroll software, the City fell behind in the timeliness of its accounting functions resulting in a late audit report. This situation should not be a future problem since all mitigating factors have been corrected, and work flow is progressing more successfully.

**City of Tallulah**  
**Corrective Action Plan for Auditor's Current Year Findings**  
**June 30, 2009**

**Person responsible for the above corrective actions:**

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Tallulah, LA 71282

**Anticipated completion date:** Immediately.



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## Management Letter

Mayor and Council Members  
City of Tallulah  
Tallulah, Louisiana

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, we considered the City's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 15, 2010 on the basic financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations. Our comment is summarized as follows:

### 09-M1

### Stabilization of Fund Balance

**Comment:** During review of the financial statements, it was determined that the City is not operating within the limits of the approved budget. The City is not reviewing their expenditures against their budgets to ensure adequate funding to cover the expenditures. For the 2009 fiscal year ended most funds had a negative change in fund balance. The finances of the City are steadily declining.

**Recommendation:** The City should have controls to ensure budgets are prepared on a conservative approach. Expenditures should be tightened to accommodate for the decline in funding available. Monitoring procedures should be established throughout the fiscal year to ensure expenditures are within the conservative budget.

**Management's response:** During most of the fiscal year, the City was operating without an approved budget, and this factor created departmental spending issues. Therefore, control over expenditures was not an easy task absent the formal financial parameters within which to operate each department. However, the City has since adopted its fiscal budgets on time during the current fiscal year and plans to do so in the upcoming one. This practice has greatly improved financial controls, and future economic conditions can be reckoned with more successfully as well.



Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses. Our audit procedures are designed primarily to enable us to form opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2009, which collectively comprise the City's financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
June 15, 2010